United States
Department of
Agriculture

Economic
Research
Service

WAS-30

December 1982

World Agriculture

OUTLOOK & SITUATION

NOTICE

Starting in 1983, the *World Agricultural Outlook and Situation* will be published quarterly instead of three times a year, with issues appearing in March, June, September, and December.

The series of regional supplements to the *World Agricultural Outlook and Situation* also has been expanded for 1983 to 11 issues covering: North America/ Oceania, Latin America, Western Europe, Eastern Europe, Soviet Union, Middle East and North Africa, Sub-Saharan Africa, East Asia, China, South Asia, and Southeast Asia.

Your current, combined subscription to the *World Agricultural Situation* and its regional supplements will entitle you to all 11 regional supplements to be issued in 1983. The Government Printing Office will notify you when your subscription expires. At that time, you will have the option of subscribing separately to the World Agriculture report and the supplements. The regional supplements will be sold as a series and on an individual copy basis.

In This Issue

Approved by
The World Agricultural
Outlook Board
and Summary released
November 24, 1982

Situation Coordinators:
Cecil W. Davison
Polly Cochran
202 447-8054

International Economics Division
Economic Research Service
U.S. Department of Agriculture

Note: Tons are metric, dollars are U.S., and rice is on a milled basis unless specified otherwise.

The International Economics Division's program of agricultural situation and outlook analysis and reporting includes the following regularly scheduled publications: The *Foreign Agricultural Trade of the United States* published bimonthly; the *World Agricultural Outlook and Situation* and the *Outlook for U.S. Agricultural Exports* published quarterly; the Food Aid Needs and Availabilities Report published semiannually; and regional reports on North America/Oceania, Latin America, Middle East and North Africa, Sub-saharan Africa, East Asia, South Asia, Southeast Asia, China, Eastern Europe, the Soviet Union, and Western Europe published annually. Information on obtaining these publications is enclosed in back of this report.

John C. Dunmore, Chief
World Analysis Branch

Washington, D.C. December 1982

Summary

Economic Growth and Trade Sluggish

World economic growth is estimated around 1 percent in 1982, down from 1.3 and 1.6 percent in 1981 and 1980, respectively. Economic growth in 1983 may be around 2 percent if lower interest rates sufficiently stimulate consumption and investment. Inflation has generally fallen faster than nominal interest rates in industrialized countries, leaving real interest rates to diminish more slowly. This inflation-adjusted interest rate strongly favors U.S. currency over that of Western Europe and Japan, contributing to the continued appreciation of the dollar. The dollar's strength may keep growing slightly over the next 3 to 6 months.

Although U.S. export prices for grains and oilseeds have dropped 10 to 15 percent from last year, the dollar has appreciated to the extent that European customers are paying about the same in their currencies as they did last year. Record U.S. grain supplies and weak foreign demand continue to hold down U.S. grain prices.

Weak foreign demand and the strong dollar have also cut U.S. fertilizer exports. Industry analysts anticipate no recovery in the fertilizer market before 1984.

U.S. agricultural exports in fiscal 1982 fell in both value and volume—to $39.1 billion and 158 million tons—a victim of the worldwide economic slump. Corn exports showed the greatest loss, while soybeans and products led the sales.

The growth of foreign grain consumption in the 1980's is expected to fall below that of the 1970's. In addition, the increase in consumption may slow, and use could about match foreign production, resulting in a slower rise in U.S. grain exports. Global grain production may set a record in 1982/83 because of larger-than-expected wheat and coarse grain crops in many countries.

This year's record world oilseed harvest pushed up supplies despite reduced carryin stocks. Consumption is not expected to increase as much as production. Therefore, yearend stocks will likely increase sharply. U.S. soybean exports were a record 25.3 million tons in the 1981/82 marketing year. Exports are forecast at 25.6 million in 1982/83.

Global meat production is changing little this year. Continued stability is forecast for 1983, with small declines in beef and pork about offsetting increases for poultry.

A world sugar outturn of 98.5 million tons in 1982/83—down slightly from the revised figure for 1981/82—could still raise stocks by more than 6 million tons to nearly 42 million, as consumption fails to keep pace. World prices are not expected to improve next year.

Coffee production is forecast to fall to 81 million bags, down from 96.4 million a year ago. Stocks may decrease, and prices should remain strong this winter. Cocoa bean production is forecast at 1.7 million tons, about the same as last year. Nevertheless, this outturn is expected to raise stocks for the sixth consecutive year, keeping downward pressure on cocoa prices.

World cotton production, forecast at 67.2 million bales, is moderately below last season's 71.1 million. But, with lagging use, stocks may edge upward. U.S. exports could fall 12 percent to 5.8 million bales.

World Agricultural Situation

WORLD ECONOMIC CONDITIONS

Slow Growth Ahead

World economic growth for 1982 likely declined for the third straight year, and most indicators from abroad imply that a turnaround in the foreign economies will not be forthcoming until some time in 1983, perhaps not until midyear. Growth in gross domestic product may be about 1 percent this year, before perhaps increasing to 2 percent in 1983. The 1982 projection is only slightly lower than the 1.3 percent and 1.6 percent achieved in 1981 and 1980, respectively, but far below the gains of 5 to 6 percent during the 1970's.

Sluggish economic growth has affected almost all the world. In industrialized nations, economic growth likely declined for the fourth straight year, to less than one-half of 1 percent in 1982. Lower growth in the developed world is slowing the demand for exports from the developing countries, dropping their 1982 economic growth to 2.3 percent, down from 2.8 percent in 1981. Even the newly industrialized countries in Latin America and East Asia are pinched by the trade slowdown. Sluggish demand for petroleum products caused shipments from the major oil-exporting nations to decline in 6 of the 10 quarters ending with second-quarter 1982. Hence, economic growth has slowed for most of these countries.

U.S. Agricultural Exports Lag

The slow recovery projected for 1983 will likely benefit U.S. agricultural exports only marginally. Growth in consumption will probably lag behind overall economic growth, even though unemployment will likely stabilize and more people will have jobs. The lagging consumption and a continued strong dollar, which will tend to keep foreign prices for U.S. goods higher than they would

be otherwise, are expected to limit gains for U.S. agricultural exports.

The Industrialized Countries

Economic activity in the major industrialized nations—the United States, Canada, Japan, and the European Community (EC)—has reeled from the effects of anti-inflationary policies. These effects include high numbers of unemployed workers, high real interest rates (interest rates adjusted for inflation), and low rates of consumption and investment. Export growth has declined as a result of lower consumption rates in the industrialized markets and also because sluggish demand for petroleum has weakened the purchasing power of markets in the Middle East. Through early November, most of the foreign industrialized economies appeared to be stagnant, and their collective growth will probably be less than 1 percent for 1982.

Eased Policies May Help

The outlook for slightly faster growth next year is based on several factors. One of these is the apparent easing of anti-inflationary policies, a situation that began several months ago and that may continue unless inflationary pressures rebuild in 1983. The resulting lower interest rates will likely push up consumption and investment in most countries. The consumption increases will probably be low by historical standards, because unemployment rates will come down slowly, and wage gains will be low relative to inflation. In addition, consumer purchasing power will probably grow slowly. Similarly, investment gains will be small, because demand for final products is expected to remain sluggish, and excess production capacity will preclude the expansion of facilities.

The apparent easing of anti-inflationary policies has contributed to at least a temporary drop in short-term interest rates in most of the industrialized countries. Since July—when monetary growth reportedly began to accelerate in the United States, Canada, the United Kingdom, and France—a weighted average of interest rates for these countries and Japan and West Germany has declined monthly. Short-term interest rates fell to 8.4 percent into early November, compared with 11.4 percent in June.

Interest, Inflation Rates Continue Down

Interest-rate movements have varied greatly internationally. Japan's short-term bond rates actually increased slightly from June to October, while rates in other countries declined. The largest drop, from about 12.5 percent to just over 7.5 percent, occurred in U.S. Treasury bills. Canadian rates declined slightly less, while rates in Germany, France, and the United Kingdom eased 1 to 3 percentage points.

Inflation for the industrialized countries declined by almost 2 percentage points from June to September, to about 8 percent on a weighted-average basis. The inflation rate of this group has been halved since its 16-percent peak in 1980. Except for Japan, where the rate increased only from 2.2 percent to 3 percent during June-September, inflation has declined in all major economies.

Inflation rates have generally fallen more rapidly than nominal interest rates in the industrialized countries. Thus, real interest rates have declined more slowly than both. From June to October, a weighted average of real interest rates dropped from 4.5 percent to 2.8 percent. Japan, where inflation is low and interest rates are relatively high, has a real interest rate of over 4 percent, down only slightly from 5 percent in June. Canada, at the other extreme, has had a drop from almost 5 percent in June to about 1 percent in October.

Trade Outlook Not Bright

Trade growth will probably be slow during the early stages of recovery because of weakened purchasing power in most export markets, particularly in the industrialized countries and in the petroleum-exporting nations. According to the International Monetary Fund, the industrialized countries marketed more than 65 percent of their 1981 exports to other industrialized countries, and almost 10 percent to petroleum-exporting countries. Slow economic growth and continued high unemployment for the industrialized countries in 1983 will limit demand for many imported goods, thus restraining exports.

Because petroleum prices and trade volumes are not expected to accelerate much in 1983, the purchasing power of some petroleum exporters will be constrained, further holding down the exports of the industrialized countries. Trade estimates for the five quarters ending in second-quarter 1982 show that purchases by petroleum exporters were virtually unchanged in terms of U.S. dollars.

Trade among members of the EC is likely to slow, and the particularly low economic growth forecast for the Community may be below the average for the industrialized countries as a whole. For France, Germany, and the United Kingdom, exports to EC members surpass 40 percent of the countries' total exports. For Belgium and the Netherlands, the figure is 70 percent.

Canada's export prospects are closely tied to a U.S. recovery; about 65 percent of Canada's exports enter the U.S. market. A fairly strong U.S. recovery would be necessary to generate a major surge in Canada's exports. Increases in U.S. consumption could lead to larger exports of Canada's autos and other consumer items. Also, improvement in the U.S. construction industry could generate greater lumber exports, and gains in U.S. industrial production might aid exports of Canada's industrial raw materials.

Japan depends upon the U.S. market for about 25 percent of its exports, so it is also hoping for a strong U.S. recovery. Japan's exports are mostly consumer goods—from cars to cameras—making export growth primarily dependent upon higher U.S. consumer spending. Nevertheless, a large share of its exports consist of industrial materials, and growth for these items will depend on higher U.S. investment rates. Asian countries receive 20 percent of Japan's exports. Slower economic growth in these countries, resulting primarily from slow growth in their exports, has put a dent in Japan's overall trade.

For the United States, the major export market is the EC, followed closely by Canada. Exports to the EC have been and will continue to be constrained by the Community's slow economic growth. Even lower growth in Canada has caused exports to that country to slump.

A major impediment to U.S. exports is the strong value of the dollar. The higher overseas prices of U.S. goods

cut into U.S. exports in two ways: They give competitors an advantage in price, and they reduce consumer purchases at the higher prices. Both the strength of the dollar and the weak economies abroad can be held largely responsible for a 4-percent decline in total U.S. exports for the first three quarters of 1982.

Trade Effects Differ by Country

Not only is the current situation and the outlook for each country's trade different, so are the effects of each country's trade performance on the overall national economy. This can be roughly measured by the contribution of exports toward a country's total economic output.

Among the industrialized countries, exports from the United Kingdom, Canada, Germany, France, and Italy contribute about 25 to 30 percent of total output, according to 1980 figures published by the World Bank. In Belgium and the Netherlands, exports contribute to more than 50 percent of economic output. For these countries, then, slow or declining export growth curtails employment, wages, and output for a substantial share of the economy. Exports contribute 10 percent to the U.S. economy, and 14 percent to the Japanese economy. Thus, the segments of the American and Japanese economies that depend on exports for employment and revenue are much smaller than for most of the EC countries.

Export markets of the industrialized countries

Market	Canada	France	Germany	Japan	U.K.	U.S.
			Percentage[1]			
Industrialized countries	82	62	72	46	68	56
Dev. countries						
Oil exporting	3	10	9	15	11	9
Non-oil export.						
Africa	1	8	3	2	5	2
Asia	3	3	3	20	5	9
Europe	—	4	5	1	3	2
Middle East	—	2	2	1	2	3
W. Hemisphere	3	4	3	6	3	16
USSR & E. Europe	3	3	3	3	2	2

— = negligible.

[1]Share of exporter's total exports.

Trade balances of major industrialized countries

Year	Canada	France	Germany	Japan	U.K.	U.S.
			Billion dollars			
1980	4.9	−18.9	4.9	−10.9	−5.7	−36.2
1981						
I	.7	−4.5	−.1	1.2	1.6	−8.3
II	.1	−2.3	−.3	1.9	.8	−9.1
III	.0	−3.3	.2	4.5	NA	−11.6
IV	1.6	−4.5	1.3	3.4	−.1	−10.7
1982						
I	2.2	−4.8	1.8	−.6	−1.6	−9.1
II	3.4	−4.9	.5	2.6	−1.7	−6.0

NA = not available.

Source: International Monetary Fund.

The Developing Countries

A projected slow recovery in the industrialized countries will result in substandard growth rates for the developing regions. Economic growth for the developing countries as a group could be 2 to 2.5 percent. Latin America is likely to lag behind that rate—perhaps at 1 percent—and Asia may take the lead with about 3.5 percent. Growth in Africa and the Middle East may reach the average for all developing countries. By comparison, the developing countries averaged over 5-percent growth during the 1970's.

Exports Fall

Slow growth in the industrialized nations will reduce the growth in demand for developing countries' exports—the lifeblood of most of these economies. Through the second quarter of this year, the impact has already been felt; exports for the developing countries as a group declined in U.S. dollar terms during four of the five previous quarters. Over the entire period, exports declined an average of 4 percent a quarter.

The petroleum-producing countries have had the most sustained and deepest cuts in exports. Exports fell in four of the five quarters, and the average cut ran at 6 percent a quarter. Nigeria, a country where the falloff in export revenue has posed severe financial hardship, just recently removed some of the import and foreign exchange restrictions it imposed in May to meet its financial obligations.

In Latin America, a similar case is Mexico, where the shortfall in export revenue partially contributed to a near financial disaster. Export revenue declined in three of the five quarters ending in second-quarter 1982, resulting in an average quarterly drop of 4 percent. Latin America as a region was only slightly better off, with exports declining an average of 2 percent a quarter. Brazil has recently tightened its import controls in an effort to reduce its deficit on current accounts—the balance of trade in merchandise and all services.

In Asia, exports have not fared as poorly as in the rest of the world, but growth has suffered in recent quarters. Through the first quarter of 1982, exports showed virtually no growth from the previous four quarters. By contrast, export growth averaged 24 percent a year in the 4 years ending in 1980. This near stagnation in exports will likely lead the developing Asian countries to their lowest collective economic growth rate in years. [*Art Morey (202) 447-8470*]

INPUTS AND FINANCE

Energy

Oil Prices Rise Seasonally

Following steadily dropping demand for oil, some of it due to conservation, but more likely because of the economic recession, world oil production fell for the third consecutive year. The drop was drastic—from an average 55.8 million barrels a day in 1981 to 50.2 million by April 1982. Nearly all the loss in output occurred in OPEC countries, while other producers, mainly Mexico and the United Kingdom, increased their production.

In the second half of this year, and particularly in the last quarter, demand inched upwards. Spot prices for crude oil reversed their decline and, by October, increased by $1 to $2 a barrel—close to the official OPEC reference price of $34 a barrel. In the process, OPEC production rebounded by over 2 million barrels a day. Therefore, average 1982 world production of crude oil will likely be close to 52.6 million barrels a day.

The rise in world oil prices appears to principally represent a drawdown of excess commercial inventories and some seasonal upturn in demand. There is nothing to indicate that the longer term decline in consumption has yet been reversed or that the world's surplus productive capacity has been eliminated.

OPEC Divided

Faced with falling demand and continued downward pressure on prices during the larger part of the year, the cartel has shown little unity. Algeria, Ecuador, Iran, Libya, and Venezuela largely ignored the OPEC agreement established in Vienna last March. They both overproduced and sold below the official price by offering a variety of discounts. By October, the Gulf States, Saudi Arabia, Kuwait, Qatar, and the United Arab Emirates, united in the Gulf Cooperation Council, warned the other producers that they might lower their own oil prices, as well as force the official price down. Saudi Arabia, which reduced its production from 8.5 million barrels a day in January to 5.5 million in September (but 6.2 million in October), is still by far the largest OPEC producer and could easily effect the move.

Prospects for 1983

The slightly improved demand for oil and higher OPEC production are likely to hold through the first half of next year. However, a more lasting revival in demand cannot yet be expected, even if there is a modest recovery from the current recession. The high prices of oil in the past have so stimulated conservation and more efficient use that, since the oil embargo of 1974, the amount of energy consumed per dollar of gross national product in industrial countries has fallen by close to 40 percent. [*Francis Urban (202) 447-8106*]

World crude oil production[1]

Region	1981	1982[2]	1983[3]
	Million barrels/day		
OPEC	22.7	18.9	20.0
USSR	11.8	11.8	12.0
USA	8.6	8.6	8.5
Mexico	2.3	2.3	2.5
Canada	1.3	1.3	1.2
North Sea[4]	2.3	2.6	2.6
China	2.0	2.0	2.0
Other	4.8	5.1	5.4
Total	55.8	52.6	54.2

[1]Excluding natural gas liquids. [2]Preliminary. [3]Forecast. [4]Demark, Norway, and United Kingdom.

Exchange Rates

U.S. Dollar Remains Strong

The end of the summer and early fall have witnessed a continued surge in the U.S. dollar's strength against European currencies and the Japanese yen. Of those currencies most important to U.S. agricultural trade, only the Canadian dollar has shown any resilience to the onslaught from its U.S. counterpart. Interest rates play a major role in sustaining the U.S. dollar's appreciation (and recent drop relative to the Canadian dollar), with strong support added by the notion that the dollar is the refuge currency.

As inflation abates and U.S. interest rates remain high (or fall by a lesser amount than the reduction in inflation), the apparent rate of return from holding dollars increases. The inflation-adjusted interest rate strongly favors U.S. currency over that of Western Europe and Japan. This tends to attract more individuals to dollars and enhances the dollar's appeal for speculative purposes. The Canadian dollar has benefited even more from this circumstance, as interest rates in that country have shown no tendency to fall from extremely high levels.

All other things equal, it would be more desirable to hold Canadian than U.S. dollars. The U.S. dollar, however, retains several distinct advantages. First, it is more useful. Some 60 percent of all international transactions are in U.S. dollars. Second, its value is becoming more stable as inflation is brought under control. Third, it is backed by an environment of relative confidence and certainty. Considering the political turmoil in Europe and economic uncertainty in Japan, the U.S. dollar stands out all the more as a haven.

These trends should continue to hold the dollar at least at current levels, with a probable slight appreciation over the next 3 to 6 months. Expected declines in U.S. interest rates should be followed by similar decreases elsewhere. [*David Stallings (202) 447-8054*]

Foreign currency units per U.S. dollar

Year	Mark	Yen	Pound	Guilder	C. Dollar
1979	1.833	219.2	.4713	2.006	1.171
1980	1.818	226.4	.4299	1.987	1.169
1981	2.258	220.3	.4984	2.493	1.199
1982					
Jan.	2.293	224.7	.5300	2.513	1.192
Feb.	2.365	235.1	.5410	2.593	1.214
Mar.	2.379	241.1	.5536	2.617	1.220
Apr.	2.395	243.9	.5638	2.658	1.225
May	2.312	237.0	.5521	2.568	1.233
June	2.427	251.2	.5685	2.680	1.275
July	2.464	255.0	.5760	2.719	1.268
Aug.	2.477	258.7	.5791	2.723	1.244
Sept.	2.504	263.0	.5837	2.740	1.234
Oct.	2.531	271.3	.5890	2.759	1.229
Nov.	2.57	268	.609	2.80	1.22

Fertilizer

Domestic fertilizer sales for 1981/82 were the lowest since 1978. Overall, nutrient sales were off 11 percent from a year ago. Phosphate purchases were down 25 percent, potash 12 percent, and nitrogen 8 percent. Aggravating the domestic situation was a drop in exports of U.S. fertilizer products, attributed mostly to depressed world economies and the strong U.S. dollar. Normally,

U.S. phosphate producers export nearly half of the phosphate rock mined, mostly in the form of fertilizer. Phosphate exports dropped 13 percent. Nitrogen exports dropped 17 percent, while imports rose 5 percent. The United States imports most of its potash (over 80 percent) from Canada. Potash imports were 13 percent below a year earlier.

Capacity Shutdowns Running High

The combination of reduced domestic and export demand resulted in major shutdowns of domestic production capacity, with a third of the U.S. phosphate and a fourth of the nitrogen capacity closed for varying periods of time. Still, producers' ending inventories of nitrogen and potash were up drastically: potash 77 percent, and nitrogen 20 percent. Compounding the nitrogen problem was the importation of ammonia at prices below production costs for some domestic manufacturers. Some natural gas pipelines have been offering ammonia producers gas at substantially below-market prices to induce them back into operation. Still, it is doubtful that some of these plants will reopen soon.

U.S. manufacturers' prices for fertilizer were off 15 to 20 percent for major plant nutrients, particularly phosphates, after similar declines last year. However, spring 1982 farm prices of fertilizer held up and averaged 3 percent more than in 1981.

Prices and Use To Change Little

The current fertilizer year (July 1982-June 1983) promises little, if any, change from last year. While fertilizer use rates may be up some, they probably will not rise enough to offset the lower crop area expected as a result of the 1983 acreage reduction programs. Farm prices for fertilizer in spring 1983 will likely be close to year-earlier levels. Fall fertilizer applications are reportedly below a year ago. Industry analysts do not anticipate a recovery in the fertilizer market until 1984. However, manufacturers' 1982/83 fertilizer sales may pick up more than farm use would indicate, because materials in pipelines and in wholesale and retail inventories are reportedly down substantially from a year ago.

Manufacturer reports for the first 3 months of 1982/83 indicate no turnaround in fertilizer sales. Once again, domestic sales were off from a year earlier. Phosphate exports were down 12 percent during the first quarter, but nitrogen exports rose about 9 percent from the depressed year-earlier level. Fertilizer production for the quarter was 22 percent below a year earlier. Nitrogen production was down 27 percent, and the output of finished phosphate fertilizers fell 3 percent. Moreover, phosphate rock production slipped 42 percent.

Ammonia Imports Likely To Rise

The United States imported about half of its ammonia nitrogen from the USSR in 1981. Canada, Mexico, and the Caribbean were also major nitrogen suppliers. Until the last few years, the United States has been self-sufficient in ammonia. However, nitrogen consumers rely increasingly on imports. With rising gas costs, nitrogen producers will likely face increased competition from foreign producers with major natural gas supplies (the raw material for ammonia production). Much of the new ammonia capacity is being built by our competitors, particularly the USSR. [*Ted Eichers (202) 447-7340*]

Agricultural Commodity Prices

For 2 years, world agricultural commodity prices have trended downward. Record domestic grain supplies and a weakened foreign demand that limits U.S. exports will continue to pressure prices. U.S. import prices for products such as beef, cocoa, and sugar are also low for the same reasons. For the next year and perhaps longer, most crop supplies will likely remain large.

U.S. Farm Prices Below Loan Rates

U.S. farm prices for wheat, corn, and soybeans have fallen for the second consecutive year and are currently way below previous forecasts. Unanticipated back-to-back record crops and lower-than-expected prices early in the season will push yearly average farm prices for wheat and corn to the lowest levels since 1978/79, and for soybeans to the lowest since 1975/76. Current prices for wheat and corn are below their respective loan rates of $130 and $100. Record corn and soybean crops have kept pressure on prices, while prospects for winter wheat will influence wheat prices. Movements into the farmer-owned reserve, the strength of export demand, and the extent of farmer participation in the 1983 acreage reduction programs will also influence grain prices.

Low U.S. farm prices have helped hold down food prices, which have risen by less than the overall inflation rate. At the same time, though, farmers' production expenses have increased modestly, squeezing their returns.

Grain Stocks Depress Rotterdam Prices

World grain stocks as a percent of use is a good barometer of price movements for grains traded at the Dutch port of Rotterdam, a world grain-pricing center. An upward movement—signifying an increase in the world's reserve capacity—puts downward pressure on prices. For coarse grains, 1982/83 ending stocks, compared with use, are forecast to rise to the highest level in over 15 years. Rotterdam corn prices are the lowest in 4 years. The stock buildup for wheat is not so dramatic. The stocks-to-use ratio was higher only 4 years ago, and current Rotterdam prices were lower about 3-1/2 years ago.

Strong Dollar Props Up Foreign Prices

Because the dollar has strengthened relative to foreign currencies over the last 2 years, importers in many foreign countries have not benefited from lower U.S. prices. Even though U.S. export prices for grains and oilseeds dropped 10 to 15 percent from last year in Europe, the dollar has appreciated by at least the same degree. In many cases, European customers are now paying about the same amount or even more in their currencies as they did last year.

Import Prices Drop

The unit value of U.S. agricultural imports continued to decline moderately during June-September, winding up fiscal 1982 with a 15-percent drop from a year earlier. The price declines were virtually across the board, but a 41-percent drop in the price of imported sugar, to 15.4 cents a pound for the year, was the biggest decrease. The gap between the world price of sugar, at 6 to 7 cents a pound in early November, and the U.S. landed price—

International commodity prices

Year	Wheat				Corn		Soybeans	Soyoil		Soymeal 44%	
	U.S. No. 2[1]	Argentina[2]	Canada No. 1[3]	Australia[4]	U.S. No. 2 yellow[5]	Argentina[2]	U.S. No. 2 yellow[5]	Decatur	Dutch[6]	Decatur	Hamburg[6]
	Dollars per ton										
1975	149	147	181	167	122	126	210	559	563	141	162
1976	134	128	149	147	115	114	223	414	438	179	203
1977	105	100	116	113	98	93	271	524	579	212	240
1978	131	126	134	119	105	102	259	565	607	189	226
1979	162	159	171	142	118	117	278	610	662	160	254
1980	176	203	192	175	129	159	272	522	598	217	271
1981	176	190	194	175	135	139	272	464	507	223	269
1982											
Jan.	175	177	181	167	109	120	247	408	455	212	250
Feb.	173	180	172	167	115	114	244	404	454	194	247
Mar.	170	179	160	165	116	110	240	407	452	204	242
Apr.	171	179	162	158	120	112	250	430	483	210	250
May	168	176	168	158	120	112	254	453	510	212	248
June	152	164	157	158	110	108	241	427	472	203	231
July	152	160	163	154	113	119	241	420	463	199	223
Aug.	154	163	160	154	106	116	226	393	430	186	216
Sept.	155	161	160	159	102	105	214	383	427	178	216
Oct.	141	151	159	158	94	93	201	381	416	173	210

[1]Hard winter ordinary protein, f.o.b. Gulf ports. [2]F.o.b. Buenos Aires. [3]Western red spring 13.5% protein, in store Thunder Bay. [4]July-June crop year, standard white, f.o.b. selling price. [5]F.o.b. Gulf ports. [6]F.o.b. ex-mill.

20 cents a pound—has narrowed slightly in the past few months. There was concern when the sugar quotas were initially imposed that U.S. prices would approach 30 cents. However, it appears that sugar supplies have been ample, and the U.S. landed price has actually fallen from 22 to 20 cents a pound since June.

An agreement limiting beef imports was reached in September with the United States' major suppliers of fresh and frozen beef (Australia, New Zealand, and Canada). The price of imported beef fell 13 percent (13 cents a pound) during fiscal 1982, reflecting weak demand.

Ample stocks and sluggish world trade drove the price of cocoa down 13 percent to 77 cents a pound in fiscal 1982. Prices closed the year at 64 cents a pound in September, forcing down prices of cocoa products. At year's end, the ratio of product price to bean price had risen 3 to 5 percent for the various cocoa products.

Freight Rates May Rise

Freight rates continue low following several quarters of stagnant global trade and excess shipping capacity. Many ships were laid up during the summer, because signs of relief for the ailing shipping industry were not evident. By September, some upturns in rates were realized for the U.S. Gulf to Rotterdam route. This heavily traveled route picks up business during the fall harvests. Rates were also supported by the USSR's October purchases of U.S. corn after an absence of over 6 months. [*Bradley Karmen (202) 447-8879 and Stephen R. Milmoe (202) 447-8054*]

U.S. AGRICULTURAL TRADE

Exports Fell to $39.1 Billion

U.S. agricultural exports in fiscal 1982 fell 11 percent in value to $39.1 billion, mainly because of adverse economic conditions worldwide. Export volume declined 2 percent to 158 million tons, while prices for most of the major commodities fell 10 to 20 percent. The U.S. agricultural trade surplus declined to $23.7 billion, from a record $26.6 billion during 1980/81, as exports dropped more than imports.

The present worldwide economic slump has taken a greater toll on U.S. agricultural trade than the previous one during 1974 and 1975, when global grain supplies were more evenly distributed, interest rates and inflation were more manageable, and the dollar was cheaper in relation to the currencies of U.S. trading partners.

Feed Grains Plummet

Corn exports, the hardest hit, plummeted from 59.4 million tons valued at $9 billion in 1980/81 to 49.6 million tons valued at $6 billion in 1981/82. Demand for U.S. corn fell across a wide range of markets. Mexico, Japan, Poland, Italy, Romania, and Brazil together purchased 11 to 12 million tons less than in 1980/81. The USSR purchased 7.6 million tons valued at nearly $1 billion.

Grain sorghum exports fell 18 percent to 6.3 million tons. Because the top five markets—Japan, Mexico, Venezuela, Israel, and Taiwan—absorb nearly 90 percent of U.S. sorghum exports, these shipments are vulnerable to demand shifts. Exports of the record 1981 barley crop reached almost 2 million tons. Drought in Spain spurred purchases of a wide range of feedstuffs, including 420,000 tons of U.S. barley. Other important barley markets included Taiwan, Japan, Singapore, and the EC.

Wheat Maintains Record Pace

Exports of wheat and products came to $7.7 billion in fiscal 1982. Volume reached a record of over 46 million tons, perhaps at the expense of lower prices with value below 1981's peak of $8.1 billion. China remained the largest U.S. wheat market, purchasing 8.2 million tons

U.S. agricultural exports, fiscal years[1]

Commodity	1980	1981	1982	1983[2]
	Million tons			
Wheat	36.1	42.2	44.6	43.5
Wheat flour	.9	.9	.9	1.0
Feed grains	71.2	69.0	57.9	63.4
Rice	3.0	3.2	2.9	2.7
Other grain products	1.1	1.2	1.1	1.1
Feeds and fodders	6.2	5.8	6.0	6.0
Soybeans	23.8	20.0	25.5	25.6
Soybean meal	7.2	6.1	6.3	7.1
Other oilcake and meal	.4	.4	.3	.4
Soybean oil	1.2	.7	.9	.9
Other vegetable oils	.6	.9	.7	.7
Sunflowerseed	1.9	1.4	1.5	1.5
Cotton, including linters	2.0	1.3	1.6	1.3
Tobacco	.3	.3	.3	.3
Fruits, vegetables, & nuts	3.0	3.3	3.1	3.2
Beef, pork, & variety meats	.3	.4	.4	.4
Poultry meat	.3	.4	.3	.3
Animal fats	1.5	1.5	1.5	1.5
Other	2.9	3.3	2.6	2.5
Total	163.9	162.3	158.4	163.4

[1]Actual export tonnages. Excludes animal numbers and some commodities reported in cases, pieces, dozens, liquid measures, etc. [2]Forecast.

U.S. agricultural exports, fiscal years

Commodity	1980	1981	1982	1983[1]
	Billion dollars			
Grains and feed	18.5	21.9	17.6	16.7
Wheat	6.3	7.7	7.4	6.8
Wheat flour	.2	.3	.2	.2
Rice	1.2	1.5	1.1	1.0
Feed grains	9.1	10.4	7.0	7.0
Oilseeds and products	10.0	9.4	9.7	9.0
Soybean cake and meal	1.6	1.6	1.5	1.4
Soybeans	6.2	6.0	6.5	5.8
Soybean oil	.8	.5	.5	.5
Livestock products	3.1	3.1	3.2	3.4
Dairy products	.2	.3	.4	.3
Poultry products	.5	.8	.6	.6
Cotton, including linters	3.0	2.2	2.2	1.9
Tobacco	1.4	1.3	1.5	1.5
Seeds	.3	.3	.3	.3
Fruits, vegetables, & nuts	2.7	3.1	2.9	2.9
Sugar and tropical products	.8	1.4	.8	.9
Total	40.5	43.8	39.1	37.5

[1]Forecast.

valued at $1.2 billion. The USSR was the next largest market, buying 6 million tons valued at $1.1 billion.

Interestingly, the two largest U.S. wheat markets in 1982—China and the Soviet Union, accounting for approximately 30 percent of total U.S. wheat shipments—are centrally planned economies that have the potential for very wide variations in purchases over a period of time. At present, these two countries are committed by agreements to import 8 million tons of U.S. wheat annually.

Nearly half the record 6.1-million-ton U.S. rice crop was exported in 1981/82, down from 60 percent in the previous year. The primary U.S. rice markets in fiscal 1982 were Nigeria, Korea, Saudi Arabia, Italy, and Iraq. Record world production in 1981/82 severely limited U.S. exports.

Soybeans and Products Largest Earners

At $8.4 billion, soybeans and products were the major U.S. export earners in fiscal 1982. High EC grain prices in relation to nongrain feeds resulted in greater Community purchases of U.S. soybeans and soymeal. Spain increased its purchases of U.S. soybeans by almost 70 percent, to 3.1 million tons, making it the second largest U.S. customer. Japan remained the largest market, taking 4.3 million tons of soybeans worth $1.1 billion. Soybean meal exports registered only a 2-percent recovery (to 6.3 million tons) but soybean exports, at 25.5 million tons, were up 28 percent. The EC was the dominant market, followed by Eastern Europe and Venezuela.

Pakistan has become the largest importer of U.S. soybean oil. Out of U.S. soybean oil exports totaling 942,000 tons in fiscal 1982, Pakistan accounted for 260,000 tons or 28 percent. Developing countries dominate this market, as most developed nations have sufficient crushing capacity.

Meat and Cotton Exports Up

Exports of animal products slowed considerably in the last few months, closing the year at 1980/81's total of $4.1 billion. The primary slowdown was the decline in poultry meat exports due to the near-total loss of sales to Egypt, previously the second largest U.S. poultry market. Butter, beef, and cattle hides were a few of the bright spots in a sluggish export picture.

Exports of edible offals, or variety meats, were a record 226,000 tons—double those of a decade earlier. Since 1970, meat exports (beef, pork, and offals) have grown at an annual rate of 17 percent and now approach $1 billion, despite widespread import restrictions on meats.

U.S. exports of cotton were 23 percent above fiscal 1981's reduced level of 1.2 million tons. Sluggish economic conditions and a bumper 1981 harvest depressed prices through the year. Prices fell more than $400 a ton during the course of the year. Approximately one-fourth of all cotton exports—361,000 tons—went to Japan. Taiwan, Korea, Indonesia, Hong Kong, and Western Europe also bought more U.S. cotton, offsetting declines to China and Canada.

Tobacco exports came to 254,000 tons in fiscal 1982, slightly above 1981, but 8 to 10 percent below levels attained during 1977-80. Nonetheless, with high-quality American tobacco selling at twice the world price, exports reached a record $1.5 billion.

Outlook for Fiscal 1983

The value of U.S. farm exports is expected to decline further in 1983, as large global crop supplies and weak demand keep prices under pressure. After an 11-percent drop in fiscal 1982, to $39.1 billion, this year's exports could fall to about $37.5 billion. Record U.S. crops and sluggish economic conditions have driven U.S. commodity prices down. However, because of the appreciating dollar, the lower prices have not stimulated a proportionate increase in foreign demand. With relatively little change in agricultural imports, the agricultural trade surplus is expected to fall to around $22 billion, from $23.7 billion in fiscal 1982. Export volume is expected to be up slightly from last year's 158 million tons and roughly the same as in 1980 and 1981. [*Stephen R. Milmoe (202) 447-8054*]

WORLD COMMODITY DEVELOPMENTS

Foreign Grain Trends and Prospects

Forecasts of slower global economic growth and continued financial constraints in key importing countries point toward a significant decline in the growth of grain import demand during the next decade, slowing to about half the 20-year trend of 5.5 percent a year. The growth in foreign consumption is expected to fall below that for the 1970's, but more important, it will be in line with the growth forecast for production. This is unlike the previous decade, when growth in foreign consumption exceeded the increase in production. Even so, many importing countries will become more dependent on trade, but larger grain exports by foreign suppliers mean slower growth in U.S. exports.

The slowdown in foreign economic growth and its impact on the demand for livestock and products, combined with expected increases in foreign exports projected for the 1980's, will slow U.S. grain exports from the 6-percent annual growth during 1960-81 to a more moderate rate of slightly over 3 percent a year.

The rapid growth in world grain trade during the 1960's and 1970's and the U.S. response to meet this demand through increased production and exports have linked the well-being of the U.S. farm sector to trade, which, in turn, depends on foreign production as well as macroeconomic conditions. The United States produces one-third of the world's coarse grains and one-sixth of the wheat, but only 2 percent of the rice. U.S. exports of all these grains, however, command a greater share of the international market. In recent years, the United States has captured over three-fifths of world trade in coarse grains, half of wheat trade, and one-fourth of rice trade. Nearly two-thirds of U.S. wheat is destined for foreign markets, compared with over half of rice and one-fourth of coarse grains. In addition, grain and grain products account for over 40 percent of the $40 billion in total U.S. agricultural exports.

U.S. programs and policies now being formulated will have an impact on the agricultural sector at least through the mid-1980's and possibly beyond. USDA's Economic Research Service (ERS) generates a series of internal analyses that provide program managers and policymakers with a broad indication of the direction in which foreign and domestic agricultural sectors are likely to move over the decade ahead. The value of these exercises is not in the detailed projections, but in the identification of key influencing factors and their implication for the 1980's.

The purpose of this article, then, is to preview the outlook for world agriculture over the next decade, with emphasis on the foreign supply and demand for grain. Projections of supply and use are made on either a regional basis or individually for major countries. Assumptions about policy changes; weather, and economic variables, such as income and population growth, inflation, and energy prices, are incorporated in the forecasts. The foreign sector is disaggregated into three regions: the foreign developed countries—Canada, Western Europe, Oceania, Japan, and South Africa; the centrally planned countries—the USSR, China, and Eastern Europe; and the developing countries.

Foreign grains supply and consumption

Crop	Units	1960-62	1968-71	1979-81	1991/92
Wheat					
Area	Mil. ha.	184	194	204	215
	% change[1]	—	.5	.5	.5
Yield	Tons/ha.	1.1	1.5	1.8	2.2
	% change	—	3.1	2.2	1.7
Production	Mil. tons	205	285	372	470
	% change	—	3.7	2.7	2.1
Consumption	Mil. tons	221	313	419	509
	% change	—	3.9	2.8	1.8
Feed	Mil. tons	26	65	82	89
	% change	—	9.5	2.4	.7
Nonfeed	Mil. tons	195	248	337	420
	% change	—	2.7	3.1	2.0
Coarse grains					
Area	Mil. tons	277	291	301	311
	% change	—	.6	.3	.3
Yield	Mil. tons	1.1	1.5	1.7	2.1
	% change	—	2.9	1.6	1.9
Production	Mil. tons	310	428	519	657
	% change	—	3.5	1.9	2.2
Consumption	Mil. tons	325	445	586	760
	% change	—	3.6	2.8	2.4
Feed	Mil. tons	145	218	315	431
	% change	—	4.6	3.7	2.9
Nonfeed	Mil. tons	180	227	271	330
	% change	—	2.7	1.8	1.8
Rice					
Area	Mil. ha.	118	132	143	154
	% change	—	1.3	.8	.7
Yield	Tons/ha.	1.3	1.5	1.8	2.2
	% change	—	2.2	1.6	1.8
Production	Mil. tons	151	205	260	338
	% change	—	3.5	2.4	2.4
Consumption	Mil. tons	151	206	263	339
	% change	—	3.5	2.5	2.3
Total grains					
Area	Mil. tons	579	617	648	680
	% change	—	.7	.5	.4
Yield	Mil. tons	1.2	1.5	1.8	2.2
	% change	—	2.9	1.8	1.9
Production	Mil. tons	666	918	1151	1464
	% change	—	3.6	2.3	2.2
Consumption	Mil. tons	697	964	1268	1608
	% change	—	3.7	2.8	2.2
Feed	Mil. tons	172	283	397	520
	% change	—	5.7	3.5	2.5
Nonfeed	Mil. tons	526	681	871	1092
	% change	—	2.9	2.5	2.1

— = not available.

[1]Annual compound growth rate from previous period derived from unrounded numbers.

Coarse Grain Production Largest

Half of the world grain production is coarse grains; three-tenths is wheat; and the rest is rice. Production of grain varies immensely by region because of many factors, including weather, taste preferences, cultural practices, and government programs. National income's impact on consumption patterns also influences the mixture of grain production. The developed countries are the leading producers of coarse grains because of a favorable climate, high income, and a large livestock industry.

Coarse grains: World production, consumption, and net exports[1]

Country	1980/81			1981/82			1982/83[2]		
	Prod.	Cons.	Net exports	Prod.	Cons.	Net exports	Prod.	Cons.	Net exports
					Million tons				
Major exporters									
United States	198.4	147.3	72.1	248.9	152.2	61.1	253.0	157.8	61.2
Canada	22.3	18.2	3.2	26.0	18.4	6.8	25.6	18.5	6.1
Australia	5.2	3.0	2.2	6.8	3.6	3.1	4.2	3.3	1.8
Argentina	20.9	6.4	9.9	18.7	6.8	13.6	17.7	6.7	12.0
Thailand	3.6	1.2	2.4	4.5	1.3	3.2	4.1	1.3	2.8
South Africa	15.3	7.8	3.6	8.9	7.7	5.0	11.4	7.7	4.2
Major importers									
USSR	80.5	100.5	−18.0	72.0	97.6	−25.6	85.0	104.0	−19.0
China	84.8	85.7	−.9	82.5	83.8	−1.3	83.5	85.5	−2.0
Eastern Europe	61.1	71.5	−8.7	61.9	66.8	−5.7	66.1	70.2	−3.5
EC-10	69.7	75.7	−6.1	67.9	74.0	−5.5	69.4	75.0	−5.8
Other W. Europe	25.2	32.1	−7.7	20.1	32.4	−12.0	21.2	33.3	−11.0
Brazil	23.0	22.8	−2.1	23.5	22.8	+.4	23.7	23.3	+.7
Mexico	14.7	18.6	−8.2	16.9	20.9	−2.1	10.3	20.1	−5.5
Venezuela	1.1	2.1	−1.2	.8	2.5	−1.7	1.3	2.7	−1.4
Other Latin Am.	7.6	9.9	−2.4	7.9	10.1	−2.1	7.9	10.4	−2.4
Japan	.4	19.2	−18.9	.4	19.1	−18.3	.4	19.0	−18.5
Taiwan	.1	3.7	−3.6	.1	4.0	−3.7	.1	3.9	−3.9
South Korea	1.0	3.8	−2.6	.9	3.8	−2.7	.9	3.9	−2.9
Other Asia	41.7	43.5	−1.9	43.6	45.5	−1.8	40.6	42.9	−2.0
Egypt	4.0	4.9	−1.3	4.0	5.0	−1.2	3.8	5.2	−1.6
Iran	1.1	2.3	−1.2	1.2	2.3	−1.3	1.2	2.3	−1.3
Israel	—	1.1	−1.1	—	1.2	−1.1	—	1.2	−1.4
Other N. Africa/ Mideast	17.3	20.4	−3.3	17.7	21.0	−4.2	18.0	22.6	−5.0
Other Africa	30.3	31.1	−2.2	29.5	31.0	−1.6	30.1	31.4	−1.3
Rest of world/residual	.7	8.6	−2.0	.8	−2.6	−1.3	.6	−1.2	−.3
World total	730.0	741.4		765.5	731.2		780.1	751.0	

— = negligible. [1]Production and consumption on marketing year basis, trade on July-June year. [2]Forecast.

The developing countries grow the largest volume of rice because of taste preference and good growing conditions, especially in Asia. Before the poor harvests in the USSR in recent years, the centrally planned countries were the largest wheat producers among the three regions.

Use Highest in Centrally Planned Region

The centrally planned countries consume nearly 40 percent of global grain, compared with 30 percent each for the developed and developing countries. They also consume over 40 percent of the world's grain used for food and have the largest per capita food consumption of grain. National incomes in the centrally planned markets restrict greater use of meat, fruit, and vegetables, forcing heavier use of grain for nutrition.

Trade Rises Faster Than Consumption

During most of the 1960's and early 1970's, grain trade was 10 percent of global consumption. With a big boost from Soviet imports, the ratio began increasing in 1972 and currently is over 16 percent. This trend highlights the significance of the concentration of surplus grain production in relatively few countries. The combination of population growth and increasing per capita consumption has strained the ability of many countries to feed their own populations. Therefore, the increased demand has been met through greater imports.

About 5 percent of grain trade is rice, whose share is small because rice is grown principally in developing countries, who consume most of what they produce. Coarse grain trade has exceeded wheat trade slightly during the last few years. The volume of wheat trade accounts for one-quarter of total consumption, compared with one-sixth for coarse grains and only one-twentieth for rice.

World grain imports (including intra-EC trade) are split roughly equally among the major regions. The developed countries import about half the global coarse grains traded, while the developing countries import the greatest amount of wheat and rice. Three-quarters of world imports of rice and nearly half of wheat are by the developing countries.

Developed countries, in addition to Argentina, account for almost all the wheat exports. The developed countries also export most of the coarse grains, but the developing nations, such as Argentina and Thailand, export considerable amounts, too. More than half of the rice trade originates in the developing regions, and except for China, the rest is from the developed nations.

1982/83 Supplies Outstrip Demand

The present global economy suggests that the transition toward slower increases in world trade and limited growth in U.S. exports has already begun. Dampened economic activity and only a slight expansion in livestock feed requirements have limited global use of grain and grain products. Financial constraints in many importing countries, the high value of the dollar, and

Wheat: World production, consumption, and net exports[1]

Region	1980/81			1981/82			1982/83[2]		
	Prod.	Cons.	Net exports	Prod.	Cons.	Net exports	Prod.	Cons.	Net exports
					Million tons				
Major exporters									
United States	64.6	21.1	41.9	76.0	23.2	49.0	76.5	22.9	44.9
Canada	19.3	5.2	17.0	24.8	5.2	17.8	26.8	5.2	19.5
Australia	10.9	3.6	10.6	16.4	3.8	11.0	8.5	4.1	7.5
EC-10	55.1	44.1	10.3	54.4	44.2	10.9	58.1	45.4	12.1
Argentina	7.8	4.0	3.9	7.8	4.2	4.3	11.0	4.2	5.5
Turkey	13.0	12.9	.5	13.2	13.4	−.4	13.8	14.0	.5
Major importers									
USSR	98.2	116.7	−15.5	80.0	99.0	−19.0	86.0	102.5	−16.5
China	54.2	67.9	−13.8	58.5	71.7	−13.2	59.5	73.5	−14.0
Eastern Europe	34.5	38.1	−3.5	30.5	35.8	−4.5	33.9	36.2	−2.3
Other W. Europe	9.7	8.8	−.3	6.4	8.8	−1.5	8.5	9.1	−.2
Brazil	2.7	6.6	−3.9	2.2	6.3	−4.5	2.1	6.2	−4.0
Mexico	2.7	3.5	−1.2	3.1	4.0	−1.0	4.1	4.2	−.3
Other Latin Am.	1.6	7.6	−5.7	1.4	7.6	−6.0	1.3	8.0	−6.6
Japan	.6	6.1	−5.7	.6	6.3	−5.4	.7	6.3	−5.5
India	31.8	34.3	0	36.5	36.5	−2.2	36.5	39.8	−4.9
South Korea	.1	2.1	−2.1	.1	2.1	−2.1	.1	2.2	−2.1
Indonesia	0	1.4	−1.5	0	1.4	−1.4	0	1.5	−1.5
Other Asia	15.2	21.4	−6.1	15.8	22.3	−6.7	16.0	22.3	−6.6
Egypt	1.8	7.5	−5.6	1.9	7.7	−6.1	2.0	7.9	−6.5
Morocco	1.8	3.7	−2.0	.9	3.4	−2.4	1.8	3.8	−2.2
Other N. Africa/ Mideast	11.3	20.8	−9.9	11.8	22.0	−10.4	10.7	23.1	−11.7
Other Africa	2.3	6.4	−3.6	3.3	6.7	−4.0	3.3	7.0	−3.7
Rest of world/residual	.1	1.0	−3.8	.2	2.6	−2.2	.4	4.1	−1.4
World total	439.3	444.8		445.8	438.2		461.6	453.5	

[1]Trade on July-June years. [2]Forecast.

Rice: World production, consumption, and net exports[1]

Region	1980/81			1981/82			1982/83[2]		
	Prod.	Cons.	Net exports	Prod.	Cons.	Net exports	Prod.	Cons.	Net exports
					Million tons				
Major exporters									
United States	4.8	2.1	3.0	6.1	2.3	2.5	5.0	2.4	2.7
Thailand	11.5	8.4	3.0	12.4	8.6	3.6	11.4	8.6	3.2
Pakistan	3.1	2.1	1.1	3.2	2.1	.9	3.1	2.2	1.1
China	94.7	94.2	.5	97.4	97.0	.4	99.6	99.1	.5
India	53.2	52.9	.9	54.0	54.8	.6	45.0	46.1	.4
Burma	8.1	7.5	.7	8.5	7.6	.8	8.8	8.0	.8
Japan	8.9	10.1	.7	9.3	10.2	.3	9.7	10.3	.4
Italy	.7	.4	.4	.6	.3	.3	.7	.3	.3
Australia	.5	.1	.3	.6	.1	.5	.6	.1	.5
Major importers									
Indonesia	20.2	21.3	−.5	22.3	22.3	−.4	22.3	22.7	−.5
South Korea	4.0	5.5	−2.3	5.1	5.6	−.3	5.2	5.7	−.4
Bangladesh	13.9	13.6	0	13.5	14.0	−.4	13.5	14.0	−.4
Vietnam	6.5	6.6	−.1	6.8	6.9	−.1	7.1	7.1	0
Other Asia	16.1	17.0	−.8	17.0	17.4	−.9	16.3	17.3	−.8
USSR	1.8	3.0	−1.2	1.6	2.3	−.7	1.6	2.3	−.7
Brazil	5.9	6.3	0	6.3	6.3	−.2	6.3	6.5	−.1
Other Latin Am.	4.3	4.4	−.1	4.7	4.6	+.1	4.8	4.9	0
Iran	.8	1.4	−.6	.8	1.4	−.6	.8	1.4	−.7
Other N. Africa/ Mideast	1.9	3.3	−1.5	1.8	3.5	−1.8	1.9	3.7	−1.8
Malagasy	1.3	1.5	−.2	1.3	1.7	−.4	1.3	1.7	−.4
Nigeria	.7	1.2	−.7	.8	1.4	−.6	.9	1.4	−.7
Other Africa	1.7	3.1	−1.6	1.7	3.3	−1.8	1.8	3.5	−1.8
Rest of world/residual	.7	.6	−1.0	.5	3.3	−1.8	.5	2.4	−1.6
World total	265.3	266.6		276.3	277.0		268.2	271.7	

[1]Trade on calendar years; calendar 1982 corresponds to 1981/82. [2]Forecast.

larger foreign exports caused 1981/82 U.S. grain exports to fall below the previous year for the first time since 1976/77. The same reasons will likely keep U.S. exports from rising much in 1982/83.

Recent revisions in forecasts for global grain production point to record output this year. The 1981/82 production estimate was revised downward, reflecting a lower Soviet crop. The production forecast for this year was increased because of larger-than-expected wheat and coarse grain crops in many countries throughout the world.

The foreign harvested area for all grains in 1982/83 is expected to be the lowest in 3 years; however, record-matching yields are anticipated. Total foreign grain production will be slightly below the 1978/79 record, only because of an alltime-high Soviet grain harvest in that year. Wheat production is expected to break records in many areas, including Canada, Mexico, Western Europe, India, Turkey, and China. With the notable exceptions of the USSR and Australia, wheat output will be high in most other regions.

Foreign coarse grain production is mixed this year. Record output is called for in Brazil and Eastern Europe, but production will be down in Mexico, Argentina, Australia, and India. Crop conditions in Western Europe are mixed. Foreign rice production is expected to fall marginally this year, with declines largely in major exporters—Thailand and India—and remaining high in the major importing countries.

The large supplies worldwide and limited gains in consumption will hold global grain trade slightly below last year. The major foreign wheat exporters (Canada, Australia, Argentina, and the EC) will ship about the same as last year because record exports by Canada and the EC and a near-record by Argentina will be offset by low Australian exports. U.S. wheat exports will likely be down from last year, but still the second largest on record. Exportable coarse grain supplies of our major competitors are down, especially in Australia, and will most likely keep competitive exports below last year. U.S. coarse grain exports are expected to be marginally larger than last year's low, and will be about 10 percent below the record. Global rice trade will remain depressed this year, with U.S. exports remaining about the same.

Large U.S. Stock Buildup Likely

With record production and limited use, global grain stocks will increase about 34 million tons by the end of 1982/83. However, foreign stocks will actually decline, leaving the United States to absorb an additional 41 million tons. One measure of the relative amount of grain in the world is the relationship between world stocks and use. Current supplies will last about 2 months, the largest in more than a decade, but still not as large as the 3-month supply of the early 1960's.

Developing Countries Increase Area

Increases in foreign grain area have been relatively steady over the last two decades, averaging 0.6 percent a year. The increases came almost exclusively from the developing countries—especially developing Asia—and were equally split among the grains. In the 1980's, harvested area is expected to remain about the same in both the developed and centrally planned regions, with area increases again mostly in the developing regions. In the aggregate, area is expected to increase at a slightly slower rate.

Foreign grains supply and use by region

Crop/Region	Area	Yield	Prod.	Use
	Mil.ha.	*Tons/ha.*	*Mil. tons*	
Wheat				
1979-81				
Developed	41	2.4	98	70
Developing	66	1.4	93	131
Centrally planned	98	1.9	182	218
Foreign	204	1.8	372	419
1991/92				
Developed	46	2.6	118	75
Developing	73	1.7	125	190
Centrally planned	96	2.4	227	243
Foreign	215	2.2	470	509
Annual growth rate		*Percent*		
1979/81-1991/92				
Developed	1.0	.7	1.7	.7
Developing	.9	1.8	2.7	3.5
Centrally planned	−.1	2.2	2.1	1.0
Foreign	.5	1.7	2.1	1.8
Rice				
1979-81				
Developed	3	4.0	11	12
Developing	106	1.4	150	152
Centrally planned	34	2.9	98	99
Foreign	143	1.8	260	263
1991/92				
Developed	2	4.8	11	11
Developing	118	1.8	210	212
Centrally planned	34	3.5	117	116
Foreign	154	2.2	338	339
Annual growth rate				
1979/81-1991/92				
Developed	−2.2	1.5	−.7	−.8
Developing	1.0	2.1	3.1	3.0
Centrally planned	−.1	1.7	1.6	1.5
Foreign	.7	1.8	2.4	2.3
Coarse grains				
1979-81				
Developed	44	3.0	133	158
Developing	147	1.1	160	171
Centrally planned	110	2.1	226	257
Foreign	301	1.7	519	586
1991/92				
Developed	45	3.5	158	198
Developing	152	1.3	197	232
Centrally planned	114	2.7	302	331
Foreign	311	2.1	657	760
Annual growth rate				
1979/81-1991/92				
Developed	.2	1.4	1.6	2.1
Developing	.3	1.5	1.9	2.6
Centrally planned	.2	2.4	2.7	2.3
Foreign	.3	1.9	2.2	2.4
Total grains				
1979-81				
Developed	88	2.6	242	240
Developing	319	1.3	403	454
Centrally planned	242	2.1	506	574
Foreign	648	1.8	1151	1268
1991/92				
Developed	93	3.1	287	284
Developing	344	1.6	532	633
Centrally planned	243	2.7	646	690
Foreign	680	2.2	1464	1608
Annual growth rate				
1979/81-1991/92				
Developed	.5	1.0	1.6	1.6
Developing	.7	1.9	2.6	3.1
Centrally planned	.1	2.1	2.2	1.7
Foreign	.4	1.9	2.2	2.2

World grain trade

Crop	Units	1960-62	1969-71	1979-81	1991/92
Wheat					
Exports					
U.S.	Mil. tons	18.3	17.4	42.3	54.3
	% change[1]	—	−.5	9.3	2.3
Competitors[2]	Mil. tons	20.2	29.8	52.7	64.9
	% change	—	4.4	5.9	1.9
Imports					
World	Mil. tons	43.4	53.9	95.7	112.9
	% change	—	2.5	5.9	1.5
Developed	Mil. tons	16.3	17.9	19.0	16.7
	% change	—	1.1	.6	−1.1
Developing	Mil. tons	17.2	25.0	42.8	75.5
	% change	—	4.2	5.5	5.3
Centrally planned	Mil. tons	9.9	11.0	33.9	20.7
	% change	—	1.2	11.9	−4.3
Coarse grains					
Exports					
U.S.	Mil. tons	13.9	20.6	66.8	102.1
	% change	—	4.5	12.5	3.9
Competitors[3]	Mil. tons	7.1	18.4	27.5	34.8
	% change	—	11.2	4.1	2.2
Imports					
World	Mil. tons	29.0	49.5	110.1	157.1
	% change	—	6.1	8.3	3.3
Developed	Mil. tons	22.9	38.3	52.0	71.5
	% change	—	5.8	3.1	2.9
Developing	Mil. tons	2.7	5.4	26.3	54.5
	% change	—	8.2	17.1	6.8
Centrally planned	Mil. tons	3.4	5.8	31.8	31.1
	% change	—	6.2	18.5	−.2
Rice					
Exports					
U.S.	Mil. tons	1.0	1.7	2.9	3.8
	% change	—	6.1	5.4	2.7
Competitors[4]	Mil. tons	.3	.6	1.4	7.9
	% change	—	8.9	8.0	17.3
Imports					
World	Mil. tons	5.9	7.2	12.1	15.6
	% change	—	2.3	5.3	2.4
Developed	Mil. tons	.8	.8	1.5	1.7
	% change	—	−.2	6.7	1.2
Developing	Mil. tons	4.6	5.8	9.2	12.8
	% change	—	2.7	4.6	3.1
Centrally planned	Mil. tons	.5	.6	1.4	1.1
	% change	—	2.6	8.9	−1.6
Total grains					
Exports					
U.S.	Mil. tons	33.2	39.7	112.0	160.2
	% change	—	2.0	10.9	3.3
Competitors	Mil. tons	27.6	48.9	81.6	107.7
	% change	—	6.6	5.3	2.5
Imports					
World	Mil. tons	78.2	110.6	217.9	285.7
	% change	—	3.9	7.0	2.7
Developed	Mil. tons	40.0	57.0	72.5	89.9
	% change	—	4.0	2.4	2.0
Developing	Mil. tons	24.4	36.2	78.3	142.8
	% change	—	4.5	8.0	5.6
Centrally planned	Mil. tons	13.7	17.4	67.1	52.9
	% change	—	2.4	14.4	−2.2

— = not available.

[1]Annual compound growth rate from previous period derived from unrounded numbers. [2]Canada, Australia, Argentina, and the EC. [3]Canada, Australia, Argentina, South Africa, and Thailand. [4]Australia, Burma, Pakistan, and Thailand.

Production Growth Slows in 1970's

Foreign production of total grains increased 2.3 percent a year in the 1970's, compared with 3.6 percent in the 1960's. The faster growth in the 1960's stems mostly from the large increases in yields in the centrally planned regions, especially for Chinese wheat. Because area in these regions did not expand, the growth in yields was not slowed by such factors as planting on marginal land or using a limited amount of inputs on a larger area.

In the 1980's, the growth in foreign production is expected to be slightly slower than during the previous decades. Developed countries' growth will decline somewhat, but production in both the developing and centrally planned regions will likely reverse a declining trend. The developing countries will benefit from increasing yields as well as an expanding area.

Slower Consumption Growth Continues

The growth in foreign grain consumption steadily declined from 3.7 percent a year during the 1960's to 2.8 percent in the 1970's. It is expected to slow to 2.2 percent in the 1980's. Much of the decline can be explained by a slower growth in feed use, especially wheat feeding in the USSR. Increases in nonfeed use will also slow though, from 3 percent during the 1960's to 2 percent expected by 1991/92.

Food use of both rice and coarse grains will about match the increases that occurred during the 1970's. However, an overall slowdown in the growth of grain consumption for food is expected to occur because per capita consumption of wheat is forecast to remain steady in the developed and centrally planned regions.

Grain Imports Squeezed by Finances

Foreign imports are expected to fall short of needs in many developing countries, partly because of financial constraints. Many oil-exporting countries cannot increase their grain imports as fast as previously envisioned because of the projected low oil prices. On the other side, oil-importing countries have not been able to fully capitalize on the low prices. Many of these countries borrowed heavily to finance economic growth in the 1970's and are having difficulty repaying debts and finding new credit. Also, to finance imports, developing countries depend heavily upon foreign currency reserves derived from export revenue. Because of ample supplies and a sluggish world economy, prices for many commodities these countries export will be low, in turn limiting grain imports for at least the next several years.

Growth in Grain Imports To Slow

World grain imports are forecast to increase 67 million tons, from 219 million during 1979-81 to 286 million by 1991/92. The increase will be composed mostly of coarse grains, about 46 million tons. About 16 million tons will be in wheat, and 4 million in rice. The average annual increase in imports in the next 10 years is expected to be between 2.5 and 3 percent. This compares with an historical 20-year average of 5.5 percent and an average of 7 percent from 1969-71 to 1979-81.

The growth in trade during the 1970's seems to be unsustainable, largely because of annual increases of 18 percent a year in coarse grain imports by both developing countries and the USSR. In the early 1970's, the USSR

did not import any significant amount of coarse grains. By 1980, its imports accounted for about one-sixth of world trade. A similar trend occurred in the developing countries. Only some countries in North Africa, the Middle East, and East Asia imported coarse grains early in the last decade. Other developing countries entered the coarse grain market later on in the 1970's, increasing imports to the developing countries fivefold.

Developing Regions' Imports To Rise Most

Grain imports by developed countries will likely increase only 15 to 20 million tons in the next decade. Per capita wheat consumption has probably peaked in many countries, and much of the wheat needed to meet low population growth will be supplied by domestic production. Coarse grain imports, though, will probably maintain a 3-percent growth rate as livestock industries expand.

Total grain imports by the centrally planned countries are expected to decrease throughout the 1980's. Wheat imports are forecast to decline dramatically in the USSR and Eastern Europe, while remaining at the current high level in China. Rice and coarse grain imports by centrally planned nations will be mostly unchanged, as higher production is offset by increased demand for feeds, especially if wheat feeding is deemphasized. Total grain imports by the centrally planned economies are forecast to decline about 15 million tons from 1979-81 to 1991/92, but only if USSR wheat production can increase by 2 to 3 percent a year.

The growth in grain imports expected in the 1980's will come mostly from the developing countries. In many cases, the developing countries do not have favorable climates, arable land, or the necessary capital to realize production levels necessary to increase or even maintain per capita consumption. Wheat and coarse grain imports are each forecast to increase by about 30 million tons; rice imports will be up by nearly 3 million. Regional growth will be the highest in North Africa and the Middle East.

U.S. Market Share To Increase Slightly

The United States is treated as a residual supplier on the world market, and the export forecasts are determined by the difference between foreign imports and foreign exports. Therefore, the slowdown in world imports also means smaller gains for U.S. grain exports in the 1980's.

Nonetheless, limited area expansion and yield growth in the major foreign exporters could translate into a higher U.S. share of world trade. In 1979-81, world grain imports (including intra-EC trade) averaged 218 million tons, of which the United States exported 112 million for a market share of 51 percent. Of the 286 million tons of imports expected in 1991/92, the United States could supply 56 percent or 160 million tons. [*Bradley Karmen (202) 447-8879*]

Oilseeds

Record oilseed production for 1982/83 accounts for the large gain in world supplies, despite reduced carryin stocks. The growth in world protein meal use in 1982/83 is forecast to accelerate to about 6 percent, due to improving global economic conditions, greater credit availability, fewer foreign exchange constraints, increasing expansion of livestock sectors in major protein meal-consuming regions, and low protein meal prices relative to other feeds. However, oilseed supplies will increase more rapidly than use, and world carryover stocks in major oilseed markets at the end of 1982/83 will likely rise sharply.

Record Production Prospects For 1982/83

World oilseed production is expected to rise over 7 percent in 1982/83. Large gains in world soybean and sunflowerseed output account for most of the increase. The U.S. area planted to soybeans jumped 1.8 million hectares or 6.5 percent in response to acreage reduction programs for grains. Sunflowerseed area and production in Western Europe is up sharply because of favorable price incentives. Also, the Soviet Union is expected to produce a 5.3-million-ton sunflower crop, a marked improvement over 1981/82.

Brazil's soybean area is not expected to expand significantly. Corn is slightly more price competitive relative to soybeans in Parana and Rio Grande do Sul, and there may be a shift away from soybeans in these two major soybean-growing States. In general, Brazilian production costs are increasing faster than product prices because of lower subsidies for interest rates available to farmers. Development of marginal areas will depend on costly inputs, thereby limiting Brazil's area expansion in 1982/83. Nevertheless, assuming average yields, Brazil is expected to produce 14.3 million tons of soybeans, significantly higher than a year ago. Argentina's soybean production is also expected to expand, particularly as double-cropped wheat area increases.

World rapeseed output is up sharply, as expansion continues in China and Western Europe. Canada's crop suffered early frost damage, and combined with low carryin stocks, 1982/83 rapeseed supplies could be tight in that country. World peanut output is down nearly 5 percent because of an expected sharp decline in Indian production. The world cottonseed outturn is also down chiefly because U.S. output dropped about 1.5 million tons.

Foreign Meal Use To Rise

Soybean meal demand serves as an indicator of world oilseed meal consumption. Despite slow economic growth and relatively stagnant livestock production in 1981/82, soybean meal use rose roughly 3 percent because prices of soybeans and soymeal fell sharply. The 1982/83 outlook for growth in world soymeal demand, at nearly 6 percent, will depend heavily on favorable meal prices relative to those for grain, particularly in the EC. In the United States, a projected 2-percent rise in soybean meal disappearance is based on an increase in the amount of meal fed per animal unit and on reduced availabilities of cottonseed meal; high-protein animal units are expected to decline. Foreign soybean meal use is projected to gain over 7 percent, but in centrally planned and lower developed countries demand may be limited more by financial capabilities and foreign exchange constraints than by demand for livestock products.

Analysis of the foreign component of protein meal demand must focus on the EC, the world's largest consumer of protein meals. This phenomenon is due partly to its Common Agricultural Policy, which keeps domestic and imported grain prices artificially high relative to protein meals. In 1982/83, the EC is expected to increase

Soybeans and products: World production, consumption, and net exports

Region	1980/81			1981/82			1982/83		
	Prod.	Cons.[1]	Net exports	Prod.	Cons.	Net exports	Prod.	Cons.	Net exports
					Million tons				
Soybeans									
Major exporters									
U.S.	48.77	27.77	19.71	54.44	28.03	25.28	62.58	29.67	25.58
Brazil	15.20	13.83	.64	12.80	12.44	−.64	14.30	13.15	−.45
Argentina	3.50	.95	2.71	4.00	1.20	2.20	4.64	1.38	2.94
Major importers									
EC-10	.01	10.29	−10.43	.02	11.40	−11.75	.02	11.63	−12.04
Japan	.17	3.50	−4.20	.21	3.50	−4.30	.21	3.60	−4.35
Spain	.01	2.85	−2.79	.01	3.10	−3.15	.01	3.40	−3.40
Eastern Europe	.63	1.20	−.61	.52	1.05	−.57	.66	1.29	−.68
China	7.88	3.40	−.39	9.25	3.93	−.25	9.80	4.11	−.10
Mexico	.28	1.57	−1.37	.68	1.50	−.65	.50	1.55	−1.10
Taiwan	.01	.95	−1.11	.02	.92	−1.13	.02	.92	−1.18
USSR	.53	1.41	−1.40	.45	1.37	−1.50	.46	1.67	−1.75
Rest of world/residual	3.73	4.09	−.76	3.84	5.01	−3.54	4.40	5.58	−3.47
World total	80.72	71.81		86.24	73.45		97.60	77.95	
Soybean meal									
Major exporters									
U.S.	22.06	15.96	6.15	22.36	16.09	6.27	23.59	16.42	7.12
Brazil	10.62	2.40	8.59	9.64	2.10	8.50	10.07	2.25	8.40
Argentina	.70	.28	.42	.92	.29	.60	1.07	.32	.74
Major importers									
EC-10	8.29	14.92	−6.66	9.14	16.10	−6.96	9.30	17.25	−7.98
Eastern Europe	.95	5.10	−4.17	.83	4.06	−3.23	1.02	4.28	−3.26
USSR	.99	1.99	−1.00	1.09	2.29	−1.20	1.29	2.79	−1.50
Thailand	.05	.19	−.14	.06	.26	−.20	.06	.27	−.21
Philippines	.00	.25	−.24	.00	.33	−.33	.04	.34	−.30
Venezuela	.04	.45	−.41	.05	.50	−.45	.04	.54	−.50
Portugal	.22	.43	−.27	.42	.50	−.03	.57	.62	−.04
Japan	2.73	2.91	−.21	2.73	2.81	−.09	2.81	2.93	−.12
Mexico	1.23	1.22	−.18	1.16	1.32	−.05	1.25	1.33	−.05
Rest of world/residual	8.91	10.24	−1.88	9.93	11.52	−2.83	10.65	12.28	−2.30
World total	56.79	56.34		58.33	58.17		61.76	61.62	
Soybean oil									
Major exporters									
U.S.	5.11	4.14	.74	4.98	4.33	.94	5.39	4.45	.94
Brazil	2.50	1.42	1.27	2.33	1.55	.86	2.43	1.60	.88
Argentina	.16	.08	.07	.20	.09	.10	.23	.10	.13
EC-10	1.83	1.52	.38	2.02	1.51	.50	2.04	1.51	.52
Spain	.48	.11	.41	.53	.11	.43	.58	.11	.48
Major importers									
India	.07	.72	−.65	.08	.48	−.40	.10	.65	−.55
Pakistan	.00	.23	−.23	.00	.25	−.25	.00	.26	−.26
Eastern Europe	.21	.41	−.21	.18	.41	−.24	.23	.47	−.24
Iran	.01	.30	−.29	.01	.28	−.27	.01	.31	−.30
Morocco	.00	.12	−.12	.01	.11	−.11	.01	.13	−.12
Rest of world/residual	2.45	3.68	−1.37	2.55	4.02	−1.56	2.73	4.12	−1.48
World total	12.82	12.73		12.89	13.14		13.75	13.71	

[1]For soybeans, consumption refers to crush.

soybean meal demand over 7 percent, maintaining last year's growth rate. The two major factors behind this forecast are: (1) a more favorable protein meal-grain price ratio and (2) some increase in meat output, particularly poultry.

Historically, the mix of grains and protein meal in EC livestock rations depends on their relative prices. At certain prices, grains and protein meals are substitutes, not complements, in EC rations. As the soybean meal-corn price ratio falls below 1, soybean meal use per animal unit increases.

In 1981/82, soybean prices in the EC declined in spite of the appreciating dollar. Therefore, the soybean meal-corn price ratio favored meal and was a significant factor in the increase in EC meal use during 1981/82, despite slow growth in the livestock sector. For 1982/83, large world supplies of soybeans should keep prices relatively low. Therefore, Europeans may again face a highly favorable soybean meal-corn price ratio, which will encourage increased meal consumption, even if the dollar remains strong.

In non-EC Western Europe, protein meal demand will continue to grow. Increased feed requirements for Spain's expanding poultry and hog sectors caused imports of oilseeds to increase more than one-fifth in 1981/82. Spain's bad harvests sharply cut domestic oilseed supplies, and that country became a major importer of U.S. sunflowerseed last year. However, sunflowerseed imports in 1982/83 will be cut back because Spain's production has recovered. To meet increasing meal requirements, Spanish soybean imports may exceed last year's level. As a result, Spain's exports of soybean oil will likely increase, particularly with improved domestic sunflower and olive crops. Portugal's expanded crushing capacity has also raised import demand for oilseeds. In 1982/83, oil and meal imports may be replaced by increased domestic crushing of imported oilseeds, despite rising oil stocks.

Japan's demand for soybean meal in 1982/83 is expected to gain 2.8 percent, following a decline in consumption in 1981/82. Soybean meal was less favored in formula feed, because the strong dollar made U.S. soybeans more expensive to feed manufacturers. Also, oil demand was relatively stronger than protein meal demand. Thus, imported Canadian rapeseed, which has a high oil content, was favored over U.S. soybeans.

Eastern Europe's ability to import sorely needed protein meal supplies depends on the availability of foreign credit and on the amount of cash allocated. The United States will not extend credit to Poland unless political conditions change markedly. Brazil may extend less credit next year because of its poor financial situation.

Mexico's financial arrangements will determine its imports. After the devaluation of the peso, the United States extended $1.1 billion in credit for agricultural commodities. Mexico has requested 600,000 tons of soybeans, 20,000 of soybean oil, and 500,000 of sunflowerseed. Mexico has long-term contracts for approximately 200,000 tons of soybean imports from other South American countries.

Soybean Trade Increased in 1981/82

Preliminary estimates of 1981/82 world trade indicate a 16-percent gain in soybean exports and a 3-percent rise for soybean meal. U.S. soybean exports totaled a record 25.3 million tons in 1981/82 and are forecast to reach 25.6 million in 1982/83. Strong demand in the EC will be the force behind the increase. Generally, the EC buys more than two-fifths of U.S. soybean exports and more than three-fifths of soybean meal shipments. Because of the reduced 1982 crop, Brazil will probably increase soybean exports by only 150,000 tons, and soybean meal exports are expected to decline slightly.

World soybean oil exports are expected to rise a moderate 3.2 percent in 1982/83. Although U.S. exports will likely rise, the U.S. share of world trade is expected to be only 26 percent, compared with 38 percent in 1979/80. The increased availability of palm oil and other vegetable oils, and greater competition from Western Europe and South America, are affecting U.S. soybean oil exports. Palm oil production probably gained more than 30 percent during 1982. India, once the leading U.S. market, may be shifting away from soybean oil to greater palm oil imports. Western Europe is expected to remain a large soybean oil exporter, particularly to North Africa and the Middle East. [*Jan Lipson (202) 447-8855*]

Meat

Gains in 1983 Appear Slim

Global meat production is changing little in 1982, following an average gain of 2 percent in the past 3 years. Poor economic growth and last year's weak returns to livestock producers have depressed supplies. Recessions in many countries have been dampening consumer demand for meat, particularly beef and pork.

Foreign meat production in 1982 is expected to be up marginally from the 1981 level, primarily because of larger poultry production. Virtually no change is expected in foreign beef and veal output.

In 1983, little if any increase is likely for total meat output because weak market prices and generally poor returns continue to limit gains. Beef and veal production is forecast to decline around 1 percent and will likely offset the 3-percent rise in poultry output.

Slight Change in Beef Output

The total world output of beef and veal in 1982 will likely remain near last year but may decrease about 1 percent in 1983. The main areas of decline in 1982 output are in Argentina and the EC. However, increased output in Australia and Brazil was offsetting.

Australia, the largest single exporter of beef and veal, expected reduced production in 1982 because producers had started to retain cattle to rebuild herds. However, drought forced them to slaughter more than otherwise expected. A production increase of 13 percent or higher is now likely. Australian output in 1983 is expected to drop below the 1981 level because of the reduced inventory.

Beef and veal production is expected to be up 5 percent in New Zealand in 1982, but it will likely decline in 1983. Cow slaughter is expected to be up 8 percent, but it may drop substantially in 1983.

Canada's beef and veal output will likely increase 2 to 3 percent in 1982, as the slaughter of cows and calves, which accounts for one-third of total slaughter, is expected to be up 13 percent. Increased culling of dairy cows could come in response to pressure from the overburdened dairy sector. Producers have been reluctant to expand the beef inventory during a period of poor economic conditions.

A 12-percent drop in Argentina's production of beef and veal is expected in 1982. Good weather for pasture development—in addition to higher retail prices because of low slaughter, substantial inflation, and an extensive peso devaluation—encouraged producers to hold back cattle to market at heavier weights and to possibly rebuild the herd. Domestic consumption is falling because of the recession and higher retail prices, but exports will be maintained.

Brazilian cattle numbers continue to grow, and beef and veal production may be up 7 percent in 1982. However, eroding disposable income and high retail prices are limiting domestic consumption. Therefore, record exports are expected this year. Nevertheless, some relief from the producers' cost-price squeeze will be necessary in 1983 if cattle numbers and production are to continue to grow near the present rate.

Higher slaughter in the three major suppliers to the United States (Australia, Canada, and New Zealand), coupled with a strong U.S. dollar, especially in relation to other beef markets, has acted as an inducement for

Beef and veal production

Country	1980	1981	1982[1]	1983[2]
	1,000 tons			
United States	9,999	10,353	10,415	10,346
Canada	971	1,015	1,035	1,045
Mexico	1,065	1,126	1,250	1,000
Argentina	2,822	2,955	2,600	2,639
Brazil	2,150	2,250	2,400	2,500
France	1,836	1,839	1,773	1,780
Germany, Fed. Rep.	1,564	1,532	1,485	1,515
Italy	1,148	1,111	1,065	1,090
Total EC-10	7,126	6,915	6,650	6,769
Eastern Europe	2,568	2,366	2,465	2,349
USSR	6,673	6,600	6,600	6,700
Australia	1,533	1,424	1,616	1,382
Other	5,415	5,578	5,596	5,580
Total	40,322	40,582	40,627	40,310

[1]Preliminary. [2]Forecast.

Pork production

Country	1980	1981	1982[1]	1983[2]
	1,000 tons			
United States	7,537	7,199	6,411	6,203
Canada	877	869	840	825
Mexico	905	1,088	1,200	1,132
Germany, Fed. Rep.	2,726	2,700	2,670	2,680
France	1,597	1,640	1,645	1,660
Netherlands	1,062	1,149	1,180	1,180
Total EC-10	9,285	9,463	9,490	9,607
Eastern Europe	6,898	6,696	6,680	6,483
USSR	5,092	5,200	5,100	5,200
Japan	1,476	1,396	1,440	1,470
Other	5,736	5,782	5,908	6,019
Total	37,806	37,693	37,069	36,939

[1]Preliminary. [2]Forecast.

increased shipments to U.S. markets. Under provisions of the Meat Import Law, if estimates for meat imports subject to the quota—primarily fresh or frozen beef—exceed 1.3 billion pounds (589,680 metric tons), a quota of 1.25 billion pounds would be imposed. The major exporters to the United States have agreed to voluntary restraints, so the lower quota will not be imposed, and imports close to 1.3 billion pounds are likely. Imports above voluntary restraint levels are being stored in bonded warehouses to be released in 1983.

Pork Production Down

Total pork output fell 2 percent in 1982 because of substantial declines in the United States; foreign production increased marginally. Global output in 1983 is forecast to be down slightly as increases in the EC and Spain may not cover anticipated declines in the United States and Poland.

Production in the United States will be down almost 12 percent in 1982. Liquidation of breeding stock began in 1981, as producers faced poor profits and cash flow problems. The liquidation continued through late summer of this year, even though the financial situation has improved because reduced output has driven up pork prices and feed prices have declined. Producers have been reluctant to expand breeding herds because of a desire to reduce their debt loads and finance current operating expenses. Thus, pork production will continue to decline in the first half of 1983. However, output may rise toward the latter part of 1983 if the breeding herd expands as expected late this year.

This year's production in Eastern Europe is forecast to remain close to the 1981 level, and output may decline slightly in 1983. Reduced 1982 production in East Germany is likely, in contrast to last year when limited feed availability caused increased hog slaughter. With lower imports of feed grains and greater dependence on domestically produced feed, no growth is forecast in meat production next year. Poland will likely increase pork production slightly in 1982. However, output in 1983 is forecast to drop. Slaughter increases this year have reduced breeding herds. Unprofitability in the private sector, higher prices for reduced amounts of poorer quality commercial feeds, and smaller potato crops are further depressing the situation.

Poultry Increase Dampened

Growth in world poultry output slowed to 1 percent in 1982, because of a severe decline in Poland's production and little growth in the United States. Output is forecast to increase 3 percent in 1983 and will begin to pick up in the United States. Output in areas outside the United States and Poland grew 6 percent in 1981, 2 percent in 1982, and prospects are for only 3 percent in 1983. Declines in demand for imports, particularly in the Middle East, and feed supply problems are limiting growth in some countries.

Only a slight gain is expected in U.S. poultry production in 1982. Substantially lower exports and weak domestic demand are causing poor profitability, even with lower feed prices. Increased competition from subsidized Brazilian and EC exporters has been the major reason for the reduced U.S. exports. Of major U.S. markets, Egypt had temporarily suspended poultry imports in the first half of this year; however, since its reentry into the import market, subsidized Brazilian exports are capturing a substantial share of these sales. Considerable gains in Japanese production are expected to limit the growth of that country's imports.

Poultry production

Country	1980	1981	1982[1]	1983[2]
	1,000 tons			
United States	6,628	6,985	7,030	7,175
Canada	530	535	536	542
Mexico	439	468	499	546
Brazil	1,326	1,491	1,591	1,652
France	1,122	1,236	1,345	1,391
Total EC-10	4,005	4,145	4,330	4,376
Eastern Europe	1,943	2,023	1,750	1,776
USSR	2,103	2,300	2,500	2,650
Japan	1,154	1,134	1,205	1,229
Other	2,744	2,955	2,918	3,027
Total	20,872	22,036	22,359	22,973

[1]Preliminary. [2]Forecast.

In Poland, poultry production relies heavily on imported feed. Therefore, with financial constraints causing severe shortages in imported feed, commercial poultry production has been cut drastically. Estimated total output fell from 461,000 tons in 1981 to 154,000 in 1982. The feed situation has been tight in the USSR, but adequate feed is being allocated to the poultry sector. So, production increases are being forecast for 1983, although at a slightly lower growth rate. [*Linda M. Bailey (202) 447-4863*]

Sugar

Last year's and this year's sugar production—the two largest crops in history—will likely raise stocks by a combined 16.5 million tons, raw value. World sugar consumption did not keep pace with population in 1981/82 and is expected to grow less than 3 percent in 1982/83. Prices will continue weak through 1983.

Another Massive Crop Expected

World centrifugal sugar production in 1982/83 is forecast at 98.5 million tons, raw value, down from 1981/82's revised estimate of 99.98 million. Beet sugar output is placed at 35.8 million tons, raw sugar equivalent, down 2.2 percent from 1981/82. Low world sugar prices led to reduced beet plantings. Despite a slightly increased area for harvest, cane sugar production will be down about 1.2 percent because of reduced sugar content.

The 1982/83 sugar beet area for harvest in the EC is down 9 percent, and sugar production, at 14.3 million tons, will likely drop about 10 percent. USSR sugar output, forecast at 7.3 million tons, will be up 14 percent from last season's disastrous harvest. Soviet sugar beet output will likely be 32 percent above last season, but sugar recovery continues to be hampered by transportation and management problems. U.S. sugar production in 1982/83, at 5.2 million tons, is expected to be about 5.5 percent below the previous season, a result of reduced beet acreage and a drop from record beet yields. U.S. cane sugar production will likely remain close to last season's volume.

Brazil is expected to regain its position as the world's largest cane sugar producer, turning out a record 9.4 million tons of raw sugar, up 12.5 percent from 1981/82. Brazil's harvested area is forecast to increase 11 percent. In Cuba, shortages of fertilizer and herbicide indicate a lower output than last season's 8.2 million tons, and possibly a drop to about 7.9 million.

With 9.7 million tons, India led the world in sugar production during 1981/82. Higher prices stimulated a 20-percent rise in area and production. Cane area may not change much in 1982/83, but a lower sugar recovery rate could reduce output to 8.4 million tons. China and Indonesia should increase sugar output by over 7 percent each because of expanded areas. Poor growing conditions and other factors are expected to reduce Thailand's output to 2.1 million tons, 25 percent below the record 1981 crop.

Consumption Prospects Remain Poor

Low world prices in 1981/82 provided only a slight lift to global sugar use. Sugar demand in many countries was dampened by government decisions to raise the domestic price of sugar, either to recoup losses from poor sugar export prospects or to economize on scarce foreign exchange. Slow or negative income growth and continued competition from lower priced corn sweeteners also reduced sugar consumption. Global sugar use was up less than 1 percent in 1981/82, to 89.6 million tons—about the same as in 1978/79, the previous high. In 1982/83, consumption is estimated to rise to about 92.3 million tons. Even then, the enormous projected sugar production could add over 6 million tons to global stocks, pushing them to nearly 42 million tons, a massive 45.4 percent of estimated consumption.

Weak Prices To Continue

World sugar prices, about 6.5 cents a pound in early November, are not expected to improve through 1983. Prices could decline further. To bolster prices, the International Sugar Organization is contemplating additional stockpiling and concerted restraints on sugar production. [*Robert Barry (202) 447-7290*]

Coffee and Cocoa

1982/83 World Coffee Production Down

World coffee production is expected to drop dramatically to 80.8 million bags (60 kilograms each) in 1982/83, down from 96.4 million a year ago. Most of the drop in output will occur in Brazil, the world's top producer. Brazilian output this year will likely be 17.75 million bags, down from 33 million a year ago, mostly from the July 1981 freeze.

At 13.5 million bags, Colombia's 1982/83 harvest will be 500,000 bags smaller than last year's record. For Central America, production is forecast at 9.56 million bags, up slightly from last year's 9.25 million. Production in Indonesia increased to 6 million bags, from 5.8 million. In the Ivory Coast, output rose by 400,000 bags to 5 million. There were also production increases in Ethiopia, Kenya, and Papua New Guinea. Decreases were registered in Ecuador, Madagascar, Tanzania, Uganda, Zaire, and India.

World coffee consumption may be several million bags higher than production this year, reflecting the impact of the 1981 Brazilian freeze. Correspondingly, stocks are expected to decrease somewhat at the end of 1982/83.

Green Coffee Prices To Stay Strong

Green coffee prices are expected to remain strong during the winter months, when coffee use increases seasonally. Another contributing factor is the International Coffee Organization, which will continue to attempt to keep the composite price of green coffee between $1.20 and $1.40 a pound by adjusting export quotas when necessary. On September 25, the International Coffee Council agreed on an export quota of 56 million bags for 1982/83.

Cocoa Stocks Rising

World cocoa bean production during October 1982-September 1983 is forecast at 1.70 million tons, down slightly from 1981/82's record 1.71 million tons. Global stocks will increase for the sixth year in a row. Increased output is forecast for North America, South America, Asia, and Oceania. However, production in Africa, which accounts for about 60 percent of world output, will be down 4 percent.

The U.S. cocoa bean grind totaled 327.3 million pounds through September 1982, up 3.7 percent from a year earlier. With abundant supplies and lower prices for both cocoa and sugar, world consumption of cocoa is expanding, but it will remain below production in 1983. World cocoa bean grindings are forecast at 1.63 million tons next year, compared with 1.60 million this year and 1.58 million in 1981.

Cocoa Prices Continue To Decline

New York cocoa bean prices (the average of the nearest 3 active futures-trading months on the Coffee, Sugar & Cocoa Exchange) fell from 96 cents a pound in January 1982 to 71 cents in October. Cocoa prices are expected to remain near current levels for the near term—possibly declining further—as world production exceeds consumption for the sixth consecutive year.

Based on 8 months of data, total 1982 domestic use of cocoa and chocolate products will probably decline slightly from 1981's 821 million pounds. The increase in the 1982 domestic grind is not expected to be large enough to offset the anticipated drop in imports of semiprocessed cocoa and chocolate products. Per capita consumption will likely decline from 1981's 3.6 pounds (bean equivalent) to within 3.3 to 3.5 pounds. [*Fred Gray (202) 447-7290*]

Cotton

Production Down, Use To Rise Slightly

World cotton production this year is forecast at 67.2 million bales, a sharp drop from last season's 71 million. U.S. production, forecast at 11.9 million bales, accounts for 3.7 million of the decline. The 25-percent drop in U.S. production is likely due to low cotton prices, a Government program to reduce acreage, and weather problems in Texas. Foreign production is placed at 55.3 million bales, about the same as a year earlier. Smaller production elsewhere will partially be offset by a sharp gain in China, where government incentives have led to larger area. Combined with continued good yields, China's output is expected to reach a record 15 million bales—1.4 million above 1981 and a larger crop than in any other nation in 1982. The Soviet Union will move into second place with a crop estimated at 13.3 million bales.

Early on, it appeared that mill use outside the United States would enjoy a substantial gain in 1982/83, as textile demand recovered. However, most economic indicators failed to show a significant rise by early fall. Reflecting this, world cotton mill use is expected to register only a slight increase this season, rising about 1 percent to 66.5 million bales. Of this gain, 700,000 bales will likely be due to China, where mill use is expected to total 16.5 million. Mill use in the United States is forecast at 5.4 million bales, 0.1 million above 1981/82.

Trade Off Sharply

World exports in 1982/83 will fall short of last season's 20 million bales. With prospects for a sharp drop in purchases by China and, to a lesser extent, Japan, exports may fall to 18.2 million bales. U.S. exports could fall 12 percent to 5.8 million bales, but the share of world trade will decline only slightly to about one third. Because of a production drop, Mexico will also reduce exports significantly.

Cotton: World consumption and net exports[1]

Country	1980/81			1981/82			1982/83		
	Prod.	Cons.	Net exports	Prod.	Cons.	Net exports	Prod.	Cons.	Net exports
	Million 480-lb bales								
Major exporters									
United States	11.1	5.9	5.9	15.6	5.3	6.5	11.9	5.4	5.8
USSR	14.0	9.3	3.9	13.5	9.4	4.1	13.3	9.5	3.7
Pakistan	3.3	2.0	1.5	3.5	2.2	1.0	3.7	2.2	1.0
Egypt	2.4	1.3	.7	2.3	1.3	1.0	2.1	1.4	.9
Central America	1.1	.1	1.0	.9	.1	.8	.8	.1	.7
Turkey	2.3	1.4	1.0	2.2	1.4	1.0	2.1	1.4	.7
India	6.1	6.3	.5	6.3	5.8	.2	6.2	6.0	.3
Sudan	.5	.1	.4	.7	.1	.5	.8	.1	.5
Mexico	1.6	.7	.8	1.4	.6	.8	.9	.6	.4
Brazil	2.9	2.5	—	2.9	2.6	.1	2.9	2.6	.3
Major importers									
Western Europe	.8	5.1	−4.3	.8	5.0	−4.3	.7	5.0	−4.2
Japan	—	3.3	−3.2	—	3.4	−3.5	—	3.3	−3.3
Eastern Europe	.1	3.5	−3.6	.1	3.4	−3.2	.1	3.4	−3.2
China	12.4	15.2	−3.4	13.6	15.8	−2.4	15.0	16.5	−1.2
Korea, Republic	—	1.4	−1.5	—	1.5	−1.5	—	1.5	−1.5
Taiwan	—	.9	−1.0	—	1.1	−1.2	—	1.0	−1.0
Hong Kong	—	.7	−.7	—	.7	−.6	—	.6	−.6
Rest of world/residual	6.7	6.1	2.0	7.2	5.8	.7	6.7	5.9	+.7
World total	65.3	65.8		71.0	65.5		67.2	66.5	

— = negligible.

[1]Year beginning August 1.

Large Stocks Keep Prices Depressed

During 1981/82, world stocks grew from 22.8 million bales at the season's start to 28.1 million by the season's end. The buildup drove the Outlook "A" index from the season high of 80.7 cents a pound in August 1981 to the low of 67 cents in December, by which time most of the Northern Hemisphere crop was harvested. Prices strengthened seasonally through the remainder of the year, reaching 78.5 cents during July 1982. Since then, prices have trended downward, reflecting prospects that excess stocks will not be reduced. [*Sam Evans (202) 447-8444*]

REGIONAL DEVELOPMENTS

United States

Crop Production Record Large

A record harvest is nearing completion. Good growing conditions boosted yields and offset a small reduction in planted acreage. With large stocks already on hand, crop supplies during 1982/83 will be the biggest ever and more than adequate to fill needs. Abundant crop supplies, along with sluggish domestic and world economic conditions, may boost stocks even further by the end of 1982/83. Consequently, crop prices are low.

In making planting decisions, farmers are weighing USDA program provisions for 1983. Low crop prices are making old bank loans more difficult to pay, and declining land values are making new ones harder to get. Thus, the advanced diversion and deficiency payments for wheat, feed grains, and cotton, designed to improve cash flow, will be attractive features. So, with financial pressures continuing because of low prices, program participation should rise, especially for grains. This points to reduced acreage for many 1983 crops.

Meat Expansion Doubtful

Financial pressures because of economic weakness and high interest rates are encouraging livestock producers to make conservative production decisions. Despite hog prices sharply higher than a year ago, pork producers are expected to cut output 3 percent in 1983, following this year's 11-percent drop. Cattle producers will likely increase the number of animals placed in feedlots, but fewer cattle are expected to be slaughtered directly off pasture. Thus, little change in beef production is likely in 1983. Broiler production is rising just over 1 percent in 1982, and a similar increase is in prospect for next year. Total meat and poultry output is falling 3 percent in 1982, and little, if any, recovery is likely in 1983. Despite anticipated low feed prices and an economic recovery in 1983, producers appear cautious about expanding production.

Farm Financial Situation Strained

Through most of the 1970's, a strategy of buying farm assets through borrowing often led to financial success. With several years of low crop prices and a much reduced cash flow, the situation has changed. Conditions now call for a different, more conservative management strategy, one that farmers and their bankers seem to be adopting.

Total farm output of U.S. crops and livestock products will match last year's record. But, with demand weak, declines in crop prices are more than offsetting higher ones for livestock and are holding down cash receipts. Production expenses are going up slowly, reflecting reduced inflationary pressures and a small decline in input use. Nevertheless, many farmers have lower incomes this year.

This same set of circumstances—large crop supplies along with weak demand—has slowed the rise in retail food prices. The anticipated 1982 rise of about 5 percent is the smallest annual increase since 1976. The farm value of food is expected to average around 3 percent above last year, making 1982 the third consecutive year of relatively small increases. [*Donald Seaborg (202) 447-8376*]

Canada

Canadian production of grains and oilseeds has surpassed last year's record harvest, despite a heavy frost in late August. Wheat production increased 8 percent, offsetting a 2-percent decline in coarse grain output. Oilseed production rose 24 percent, although the frost did reduce rapeseed yields significantly. The frost also affected crop quality, and much less spring wheat, rapeseed, and flaxseed is being graded No. 1 than during last year. The lower quality should not impede wheat exports, but it could be a factor limiting rapeseed shipments, because Canada's major customer, Japan, strongly prefers No. 1 rapeseed.

Record Exports Forecast

The Canadian Wheat Board (CWB) is forecasting record grain and oilseed exports of 29 million tons this year, although this will depend on the Soviet Union's imports. The CWB recently signed an agreement with the Soviet Union for delivery of 7.6 million tons of wheat and coarse grains, in addition to earlier agreements with China, Brazil, and Algeria. However, the recent closure of Canada's western ports between October 19 and November 4 because of a labor dispute could have a slight impact on exports, especially since the ports were operating at full capacity before the closure. In 1981/82, about 45 percent of both total exports and exports to the Soviet Union were from western ports.

The CWB also provided the Soviet Union with Can$1 billion in credit, marking the first time the Soviet Union has purchased on credit. In 1981/82, about 13 percent of the CWB's export volume was sold on credit. The share could increase this year if the Soviet Union uses all the credit granted it.

U.S. Exports Decline

U.S. agricultural exports to Canada fell about 5 percent in fiscal 1982, to less than $2 billion. They are forecast to again decline slightly in 1983 because of Canada's excellent harvest, floundering economy, and weak currency. Canada's meat exports to the United States were up 33 percent during the first 3 quarters of calendar 1982, while U.S. meat exports to Canada fell 8 percent. [*Carol Goodloe (202) 447-8378*]

Western Europe

Production of most grain and oilseed crops rose in 1982, particularly in the EC. The EC is expected to reduce coarse grain imports and increase wheat export subsidies to keep grain stocks from rising appreciably. Although total livestock production has changed little, soymeal feeding continues to rise because of favorable prices relative to other feedstuffs. Producer prices have climbed faster than input costs in 1982, signaling a possible improvement in farm income.

Grain Production Sets Record

With record yields, grain production in Western Europe increased about 5 percent in 1982, to 156 million tons. Although both wheat and coarse grain output rose in the EC and in other Western European countries, the expansion is mainly due to record wheat production in the EC—a 7-percent rise to 58 million tons.

The EC's exportable supplies of wheat are about 3 million tons larger than last year. However, because of abundant supplies worldwide, exports are moving slower than a year ago. The issuance of export licenses, generally a leading indicator of sales volume, is significantly below the year-earlier level. But, as the marketing season progresses, the EC is expected to raise export subsidies to hold ending stocks near the current 9 million tons.

For 1982/83, net exports of wheat and wheat flour are forecast at 12 million tons. Both France and the United Kingdom had record crops and will be aggressively competing with other exporters in world markets. In a departure from an EC tradition of not entering into long-term grain agreements, France recently agreed to sell the USSR 1.5 to 3 million tons of grain annually for the next 3 years.

Feed-Price Relationships Shift

Feed use is continuing to expand in spite of slackening livestock production. Although the number of livestock units has not risen appreciably in 1982, grain and soymeal feed use are estimated to have grown by 1 and 7 percent, respectively, because of improved livestock-feed price relationships.

The price of soymeal relative to other feeds remains highly favorable in the EC. The soymeal-corn price ratio is currently about .87, compared with 1.0 last year. This will further stimulate demand for meal, since the EC is a relatively price-responsive market. Thus, in spite of a forecast increase in 1983 livestock production of less than 2 percent, next year's soymeal use may grow by as much as 7 percent. However, continued appreciation of the U.S. dollar or more intensive feeding of internally produced wheat and coarse grains could retard expansion of the EC market. Even so, Western Europe will probably import at least $4.5 billion of U.S. soybeans and soymeal—more than half of the United States' total exports of these products.

U.S. Agricultural Exports Slow

U.S. agricultural exports to Western Europe declined for the second consecutive year, reversing the upward trend that began in the early 1970's. U.S. exports to the EC remained unchanged at $8.5 billion in fiscal 1982, but the flow slowed significantly during the last quarter, reflecting the current lull in demand.

The U.S. trade surplus with the EC was $6.1 billion in fiscal 1982, down from a peak of $6.8 billion in 1980. The only bright spot in the U.S.-European trade picture was a 15-percent rise in exports to non-EC Western Europe, primarily reflecting increased shipments of soybeans, grain, and tobacco.

Sluggish economic growth in European economies and a relatively strong U.S. dollar will likely dominate U.S. exports to Western Europe in fiscal 1983. Consequently, only a small increase in value is anticipated.

Farm Income Picture Brightens

For the fourth consecutive quarter, producer prices in the EC rose more rapidly than input costs. This situation portends a possible improvement in 1982 farm income, which declined in real terms during 1978-81.

Compared with a year earlier, the overall index of producer prices of agricultural products rose 13.9 percent in the second quarter. The rate of increase in input prices slowed to 10.1 percent during the same period. The rate of increase in the cost of energy (11 percent) was close to the overall average for input costs for the first time in a long while.

The EC's Common Agricultural Policy has insulated internal commodity prices from the declines in the world market. Support prices for most commodities have received a substantial boost this marketing year. If production costs continue to stabilize, the agricultural economy may show further improvement. [*Ron Trostle (202) 447-8289*]

Australia

Severe Drought Continues

Widespread drought persists throughout eastern Australia, with rainfall well below normal since last March. Consequently, substantially smaller crops are anticipated, and cattle slaughter has increased because of a shortage of forage.

Crops Reduced

The area sown to winter crops (wheat, barley, and oats) was below intentions, as adequate moisture was not available for planting in many areas. Also, those crops that germinated were stressed by the drought, and yields will likely be well below last year. The wheat crop currently being harvested is expected to be only about half of last year's. The barley and oat crops are forecast well below last year. Plantings were cut back; more area was probably pastured or cut for hay; and yields are low.

Wheat exports during the coming year may decline 40 percent. However, Australia will be able to meet its long-term export commitments of about 5 million tons. Of course, shipments to other customers will be limited. Coarse grain exports will likely be less than half last year's amount. The drought has pushed up domestic demand for feed, boosting Australian prices while world prices declined.

Beef Output Up

Cattle and calf slaughter in 1982 was well above last year, as drought forced marketings. The Government's fodder subsidy scheme has been implemented to partially offset the high cost of feed and to help farmers maintain breeding herds. Beef exports have risen, prompting a

voluntary restraint on shipments to the United States during the last part of 1982. Less beef production is likely in 1983 because of smaller inventories and a more normal marketing rate.

Domestic demand for farm products may be lower because the Australian economy is in a recession. The Australian dollar was depreciated about 17 percent against the U.S. dollar in an effort to encourage exports and discourage imports. [*Allen O. Johnson (202) 447-8378*]

Japan

Beef, Citrus Talks Held

U.S.-Japan agricultural talks were held in Honolulu on October 20 and 21. Japan refused to discuss U.S. demands for complete liberalization of its beef and citrus markets, which prompted the United States to terminate the meetings early. The breakdown in the talks underscored the growing friction over trade issues.

The existing framework for beef and citrus imports, negotiated during the Tokyo Round of Multilateral Trade Negotiations (MTN), is due to expire March 31, 1984. The U.S. side is seeking a commitment from Japan to fully liberalize its beef and citrus markets at the earliest possible time after this date.

Japan currently imposes strict quotas on the importation of beef, fresh oranges, and orange and grapefruit juices. Other restrictive measures on beef imports include a 25-percent ad valorem tariff and various surcharges. The quota for beef, announced twice a year, is set at 135,000 tons on a global basis for Japan fiscal year (JFY) 1982 (April 1982-March 1983). Under the MTN agreement, high-quality beef imports are to be expanded to 30,800 tons by JFY 1983. Most of this comes from the United States. Japan is the largest market for U.S. beef.

Quota levels for oranges are set for 77,000 tons in 1982; for orange juice, 6,000 tons; and for grapefruit juice, 5,000 tons. All imports of orange juice are required to be blended with domestic juice to promote the sale of Japanese mikans.

At the U.S.-Japan Tobacco Study Group meeting held in Tokyo on October 25 and 26, the United States sought reductions in Japan's 35-percent duty on imported cigarettes. The study group was disbanded due to lack of progress. On May 28, Japan had agreed to increase the number of authorized retailers from 20,000 to 70,000 by the end of JFY 1983 and to allow all retailers to handle imported products by March 31, 1986. Retail cigarette sales in Japan are presently controlled by the Japan Tobacco and Salt Corporation.

U.S. Exports Drop

U.S. agricultural exports to Japan fell to $5.7 billion in fiscal 1982, $1 billion below 1981's record. U.S. agricultural exports are forecast to slip further this year. Improved U.S. coarse grain shipments, along with expected recovery in Japan's stagnant livestock sector, should increase the volume of U.S. exports somewhat, but lower commodity prices will keep the value down.

U.S. coarse grain exports declined 14 percent to 13.4 million tons in fiscal 1982, down from a record of 15.6 million tons a year earlier. Several developments will affect U.S. coarse grain exports this year:

- The United States is expected to recapture some of the market share of corn exports it temporarily lost to South Africa during 1981. Japan will be purchasing less corn from Thailand because of high Thai prices.
- Argentina has reentered the Japanese sorghum market and is expected to ship at least 500,000 tons in fiscal 1983, cutting into the U.S. share.
- Japan's Food Agency has allocated 860,000 tons of surplus rice for mixed feed production in JFY 1982, and another 800,000 tons are earmarked for JFY 1983. Some 224,000 tons have already been used during April-August 1982. The use of rice for feed likely will displace imported corn and sorghum on nearly a one-to-one basis.

U.S. soybean exports to Japan increased modestly in fiscal 1982, to slightly over 4 million tons. However, little or no growth is expected this year. Growth in demand for U.S. soybeans is clouded by steadily increasing imports of Canadian rapeseed and limited demand for soybean meal.

Last year, U.S. cotton exports to Japan increased 45 percent over the previous year, as Japan took advantage of low U.S. prices. With stocks at an estimated 3-month consumption level, imports may slow during the remainder of fiscal 1983, but the U.S. share should continue to dominate.

In fiscal 1982, Japan imported 12 percent more U.S. tobacco than a year earlier. Japan blends imported tobacco with domestic leaf in the manufacture of tobacco products. Japan's total imports of tobacco during JFY 1982 should remain close to last year's level. Imports, currently between 80,000 to 85,000 tons annually, meet about one-third of Japan's leaf requirements. Nearly 60 percent of Japan's tobacco imports come from the United States. [*Lois A. Caplan (202) 447-8229*]

USSR

1981 Grain Estimate Revised Downward

Although the size of the 1981 grain crop has still not been published in the USSR, economic lecturers there have been reporting an outturn at slightly less than 160 million tons. Other Soviet officials have also mentioned a crop of the same size. Accordingly, USDA revised its estimate of the USSR 1981 grain crop to 160 million tons.

The implied low level of grain for feed, at 112 million tons, is consistent with livestock performance. Since animal inventories in 1981 were generally maintained at high levels, this reduced feed estimate explains, to a large extent, the reduction in slaughter weights for both cattle and hogs, as well as a decrease in meat production, especially during the first quarter of 1982.

Analyzing total livestock feed on an oat-equivalent basis (where grain accounts for only about one-third of the total) and examining consolidated livestock production (meat, milk, eggs, and wool) provide a clearer picture of 1981. The amount of grain fed in 1981 would give a low, but not unreasonably low, feed-conversion ratio. In 1972 and 1974, when the feed-conversion ratios were near the 1981 level, no distress slaughtering occurred. In 1975, when distress slaughtering did happen, the feed-conversion ratio was significantly lower than in 1981.

USSR: Estimated grain production, 1982

Crop	USSR	RSFSR[1]	Ukraine	Kazakhstan	Other
			Million tons		
Spring	121	72	18	19	12
Winter	59	27	24	1	7
Total	180	99	42	20	19

[1]Federated Republics of Soviet Union.

1982 Grain Estimate Revised Upward

Numerous statements from the Soviet Union (including a statement from the Soviet Minister of Agriculture) have indicated that the 1982 grain crop was significantly larger than in 1981. These statements were in agreement with USDA-obtained weather data, harvest progress data, procurement information, crop observations, Soviet grain-buying practices, and herd management—all of which suggested that 1982 produced a better outturn than 1981.

Since August, for example, the Soviet national and republic newspapers have published data regarding the size of the harvest and, beginning in October, data on State procurements. This information tends to support a 1982 output of at least 180 million tons. The dramatic increase in hog inventories (to a record) in the socialized sector and continued record inventories of cattle and poultry have led to an acceptance of the basic substance of Soviet statements. Materials prepared by the U.S. agricultural counselor in Moscow also confirmed the ongoing Washington-based analysis.

USDA has no information that indicates the Soviets intend to overstate the size of the 1982 crop or otherwise manipulate production data. While the Soviets have made a propaganda effort to show results of their food program in the first year, it is more likely that if harvest results are especially unfavorable, they will (as in 1981) simply omit publication of the actual data.

Livestock Sector Registers Improvement

As of November 1, livestock inventories in the socialized sector showed record numbers of cattle, hogs, and poultry for that month—at 91.0 million, 58.6 million, and 713.0 million, respectively. Sheep and goats were down, however, by 1 percent to 118.0 million.

Livestock slaughter has continued at a normal or near-normal pace, with no evidence of distress slaughtering, which would have been expected had the 1982 grain crop turned out to be near last year's output. October inventory patterns indicated that hogs and poultry were being maintained, with hog slaughter consistent with new additions, and with poultry slaughter 4 million less than in October 1981.

Feeding stress on livestock, especially that occurring in the spring, has been reflected in lower average slaughter weights. January-October slaughter weights of cattle, at 343 kilograms, were down 7 kilograms from a year earlier and were the lowest for this period since 1977. Average weights for hogs, at 101 kilograms, remained the same as in 1980 and 1981, but were down 4 kilograms from peak weights in 1978.

Meat output (live weight) in the socialized sector during January-October, at 13.1 million tons, improved slightly because of gains in both September and October. Cumulative output was down only 0.5 percent. Poultry meat continued upward, rising 8 percent. Pork, beef, and mutton were down by 0.9, 3, and 3 percent, respectively.

With improved forages, pasturing, and grain supplies, milk production rose 1.6 percent to 55.4 million tons during January-October (the largest cumulative percentage gain since the beginning of the year). The yield per cow rose 1 percent—still the largest gain so far this year. Egg production continued on an upward trend, with output reaching almost 41 million eggs—3 percent over a year earlier.

Based on current indications, it is expected that total livestock inventories on January 1, 1983, will show record cattle and poultry, a possible record for hogs, and a decline in sheep and goats. Total meat output (slaughter weight) in 1982 is projected at or slightly higher than the 15.2 million tons produced in 1981. Milk output could gain by a small margin over 1981's reduced 88.5 million tons. Egg production is expected to surpass 1981's record 71 billion eggs by at least 2 percent.

Nongrain Crops To Expand

Most nongrain crops are expected to improve over 1981's reduced levels. The crops of potatoes and other vegetables are projected at 80 and 28 million tons, up 11 and 9 percent, respectively. Sugar beet output is projected at 77 million tons, up 27 percent from 1981's crop failure. Current prospects for the sunflowerseed crop have improved, and output is forecast at 5.3 million tons, up 14 percent from 1981.

Cold temperatures, heavy rainfall, flooding, and snow in some cotton areas from mid-September to the end of October have lowered prospects for the 1982 cotton crop. Therefore, output is projected at 9.5 million tons, down slightly from 1981.

U.S.-USSR Grain Consultations Held

U.S. and Soviet delegations met in Vienna October 28 to discuss the current state of grain trade between the two nations. At this meeting, the United States formally offered to sell to the Soviets 15 million tons of grain beyond the 8 million already available without government-to-government consultations. At that time, the United States officially conveyed to the USSR the "contract sanctity" assurances on all grain sales (up to 23 million tons) through the end of November and shipped within 6 months.

So far, the Soviets have contracted for 2.9 million tons of U.S. corn, but no wheat during the seventh year of the U.S.-USSR Long-Term Grain Agreement. The Soviets have expressed concern about the quality of this year's wheat, and a Soviet technical team recently visited the United States to consult on quality testing. The agreement requires that the 6-million-ton commitment be approximately evenly divided between corn and wheat. *[Angel O. Byrne and Jim Cole (202) 447-8380]*

Eastern Europe

Eastern Europe had a record grain harvest, but output of most other crops declined. Reduced livestock inventories eased feed import requirements, and meat production declined. Both Poland and Romania rationed meat. In all of Eastern Europe, hard currency shortages brought on by large debt-service obligations restrained feed imports and reduced the volume of U.S. exports of grains and oilseed products. U.S. exports declined to $940 million in fiscal 1982, compared with an annual average of $1.6 billion between 1976 and 1981.

Eastern Europe: Selected crop production

Crop	1981[1]	1982[2]
	Million tons	
Total grains	94.30	100.00
Wheat	30.10	33.40
Oilseeds	3.89	3.60
Sugar beets	48.60	46.00
Potatoes	65.40	54.00

[1]Preliminary. [2]Estimate.

Grain Harvest Hits Record

Grain production in Eastern Europe is estimated at about a record 100 million tons in 1982. Bulgaria, the German Democratic Republic (GDR), and Yugoslavia had record crops, and all other Eastern European countries had above-average results. With no commensurate increases in sown area or inputs, and without major changes in applied technology, weather was the principal factor behind higher yields. Total grain output increased about 5 million tons from 1981, of which 3 million was wheat.

Other Crops Decline

Most other crops did not fare so well as grains. Oilseed production was down 7 percent to 3.6 million tons. Rapeseed in Czechoslovakia and Poland suffered from the severe winter. Plant disease curtailed sunflower output, especially in Romania and Yugoslavia, while Hungary reduced the sown area. On the other hand, an increase in soybean area is expected to lift output of this crop by 100,000 tons to 640,000.

The sugar beet harvest is down about 5 percent to 46 million tons, and the potato crop fell 17 percent from last year's 65.4 million tons, owing to a prolonged drought during summer. Hay and other forages were mediocre; corn for silage was the only exception.

Feed Supply Not Improved

Total supplies of domestically produced feed—including potatoes and forages—probably did not improve. Eastern Europe's feed requirements, however, will ease during the current marketing year because cattle and hog numbers declined 1.5 and 4 percent, respectively, compared with a year earlier. Hog numbers declined significantly in Czechoslovakia, the GDR, and Poland.

Per Capita Meat Consumption Down

Meat supplies in 1982 were down in Czechoslovakia, the GDR, Poland, and Romania. Per capita meat consumption in Poland is expected to reach only 58 kilograms in 1982, compared with 65 in 1981 and 74 in 1980. In Czechoslovakia, consumption may be down to 80 kilograms, from 84 in 1981. Poland and Romania are rationing meat to assure an equitable distribution.

U.S. Exports Drop

U.S. agricultural exports to Eastern Europe were valued at $940 million in fiscal 1982, compared with an annual average of $1.6 billion during 1976-81. The highest level was attained in 1980, when U.S. agricultural exports were valued at $2.3 billion. The long-term trend of growing U.S. exports to Eastern Europe suffered a setback, but this year's shipments—still almost $1 billion worth—were sold without Commodity Credit Corporation (CCC) credits and included only about $70 million in relief shipments to Poland.

The U.S. export outlook for fiscal 1983 is not promising. Poland and Romania have been unable to meet their debt repayment obligations; the hard currency balance sheets for the GDR, Hungary, and Yugoslavia are precarious; and Bulgaria and Czechoslovakia have lesser debt burdens but are cautious and avoid overextending their financial capabilities.

To promote cotton exports, the U.S. Government approved $60 million in CCC credit to Yugoslavia for fiscal 1983. Credits for soybean products for Hungary and Yugoslavia are under consideration. The revocation of the most-favored-nation tariff status for Poland made that country ineligible for credits. Bulgaria, Czechoslovakia, and the GDR are also ineligible.

Economic Outlook for 1982/83

Obligations for servicing the huge debts—approximately $80 billion in mid-1982 for all Eastern Europe—hamper raw material imports from the West, and this restriction in turn will prolong the economic stagnation. Economic growth sustained in the past by foreign credits must be internally generated in the near future. The pressure for more exports and less imports will continue. Growth in domestic meat consumption either must be checked by higher prices or by allowing shortages in the shops. Prospects for improving meat supplies in 1982/83 are dim. The dry fall was unfavorable for germination of early sown rapeseed, barley, rye, and wheat, thereby reducing the potential for a good harvest. Adequate precipitation in October improved the situation in Hungary, the GDR, and Yugoslavia.

All countries continue to rely on large quantities of imported grains and protein feed. Foreign currency, however, will remain scarce, and exporters are reluctant to extend further credit.

Poland succeeded in renegotiating $1.1 billion in interest due in 1982. According to an agreement with creditor bankers, they will reloan 50 percent of the Polish payment for purchases of raw materials and industrial goods. [*Thomas A. Vankai (202) 447-8380*]

China

China's agriculture is headed for another record year. Record or near-record crops of wheat, early rice, and rapeseed have already been harvested, and prospects for fall-harvested crops have improved steadily. The bumper harvests, coupled with a tight grip on China's foreign-exchange purse strings, mean that the value of farm imports will likely decline this year.

Large Harvests in Prospect

Grain area continued to shrink this year, despite government calls for stabilization. The area of summer-harvested grain crops—largely wheat—was reported to be down by 600,000 hectares this year, and further cutbacks in double-cropped rice area occurred in central China. Despite dry weather and lower area, wheat production is placed at 1 million tons more than last year's crop, with yields hitting a record.

China: Output of major farm products

Commodity	1978	1979	1980	1981	1982[1]
			Million tons		
Wheat	53.8	62.7	54.2	58.5	59.5
Rice	93.1	97.8	94.7	97.4	99.6
Coarse grains	79.2	83.0	84.8	82.5	83.5
Cotton	2.2	2.2	2.7	3.0	3.3
Oilseeds[2]	16.5	17.4	20.2	24.3	26.2
Sugar crops	23.8	24.6	29.1	36.0	39.5
Tobacco	1.2	.9	.9	1.3	2.0
Meat[3]	8.6	10.6	12.1	12.6	NA

NA = not available.

[1]USDA estimates. [2]Soybeans, cottonseed, rapeseed, peanuts, and sunflowerseed. [3]Pork, beef, mutton, and lamb.

The early and intermediate rice crops were both up, and China's Government is optimistic about prospects for this fall's harvest of late rice. Coarse grain crops across the North China Plain are reportedly doing well, although production in the Northeast, an important producing region, will likely be down because of drought.

Production of most cash crops should be higher. Cotton area is up by about 10 percent, and the third consecutive record crop is in prospect. Most oilseed crops should register increases, and an 8-percent rise in total oilseed production is projected. The rapeseed crop was 16 percent more than last year, and good crops of fall-harvested oilseeds, such as peanuts, are also likely, as is another record sugar crop.

Agricultural Imports Slump

Higher agricultural imports accompanied the growth of farm production through 1980, but purchases are now dropping. Between 1977 and 1980, imports of farm products increased from $1.9 billion to an estimated $5.4 billion. Larger imports of grain and cotton contributed the most to the increase. Grain imports rose from 6.8 million tons in marketing year 1977/78 to 14.5 million in 1981/82. They are expected to reach 16 million tons in 1982/83. Wheat has accounted for most of the increase—a record 14 million tons is forecast for 1982/83. Coarse grain imports rose to a record 3 million tons in 1978/79 but have since declined. Imports in 1981/82 totaled only about 1.3 million tons, although they will reach 2 million this year.

Larger wheat imports have permitted the Government to increase grain supplies to areas growing other crops. These supplies have contributed to the dramatic growth of production and lower imports of crops such as cotton and oilseeds. Cotton imports, which rose to a record 849,000 tons in 1979/80, fell to 523,000 in 1981/82, and a further decline to 283,000 is projected for 1982/83. Imports of soybeans and soybean oil have been similarly affected. Soybean imports reached a peak of 810,000 tons in 1979/80 but have since fallen off. Purchases in 1982/83 are expected to total only about 400,000 tons. Soybean oil imports were only 25,000 tons in 1981/82, and this year's purchases will be negligible.

This pattern of rising grain imports and falling imports of other farm products is evident in U.S. agricultural exports to China. From fiscal 1978 to 1981, U.S. agricultural exports to China increased from $370 million to $2.2 billion. Over this period, shipments of both grain and cotton rose sharply, reaching a combined total of $2 billion in 1981. Shipments of soybeans and soybean oil also grew. Wheat shipments continued to increase in fiscal 1982, but U.S. exports of cotton, soybeans, and soybean oil tailed off. Total U.S. exports of farm products dropped 17 percent to $1.8 billion. A further decline to about $1.5 billion is expected this year because of both lower prices for exports and further cuts in China's purchases of U.S. cotton. [*Frederic M. Surls (202) 447-8676*]

Asia

Agricultural production in Asia fell slightly this year from the 1981 record. Most countries experienced some dry weather, but except for South Asia, grain production will be near year-earlier levels.

Indian Wheat Imports Increase

India's 1982 kharif (fall) harvests have been dealt a setback by a combination of poorly distributed and below-normal rainfall in many key producing areas and abnormally heavy flooding in others. Current estimates indicate that 1982/83 production of rice will fall 17 percent from a year earlier, to 45 million tons, with coarse grains down 7.5 percent to 27 million, and peanuts down 11 percent to 5.5 million tons. Dry fall weather may also hinder wheat and rapeseed planting.

The farm production setback will deal a severe blow to the Indian economy. Because cereal stocks have not been adequately rebuilt following the 1979/80 drought, expanded 1983 import requirements for wheat and vegetable oils will place additional strain on an already-tight balance-of-payments situation. India purchased 2.5 million tons of U.S. wheat in August 1982. Additional wheat imports of 2 to 3 million tons are expected by next July because of deteriorating production and procurement prospects, increased public distribution requirements, and the need to prevent a decline in government stocks.

Indian imports of vegetable oils will fall to about 1 million tons in 1982—the lowest level since 1976—because of record 1981/82 production and sluggish growth in demand. Imports of soybean oil have fallen even more sharply because of lower relative prices for palm oil. Vegetable oil production will decline about 7 percent in 1982/83, and 1983 imports will likely increase to about 1.3 million tons. Continued low palm oil prices may, however, prevent a strong rebound in soybean oil purchases.

A huge buildup of sugar stocks following the record 1981/82 production will more than offset a projected 15-percent decline in sugar output this season. Sugar exports totaled 373,000 tons in 1981/82 (October-September) and are projected at 690,000 tons this year.

Bangladesh To Import More Grain

Bangladesh's main-season rice crop will likely be 7.5 million tons, only slightly higher than the disappointing 1981 outturn, because the monsoon ended abruptly again this year. The small crop will contribute little toward rebuilding food grain stocks that were seriously depleted during 1981/82.

To avert a price-destabilizing food grain shortage, the Government has lined up assurances from all its major suppliers. Food grain imports in 1982/83 are expected to reach 2 million tons, well above last year's 1.3 million. The United States will likely supply 800,000 tons, includ-

ing about 100,000 tons of rice through P.L. 480 and other export credits.

Dryness at planting time reduced rice area in Pakistan by over 10 percent, but production is down only about 4 percent to 3.2 million tons in 1982. Cotton production should reach 806,000 tons, 6 percent higher than in 1981. Pakistan continues to be a major importer of vegetable oil, with purchases placed at 400,000 tons in 1982 and 450,000 in 1983. U.S. soybean oil imports, mostly under P.L. 480 and CCC credit, will meet about half the requirements.

Severe droughts in Sri Lanka and Nepal have hurt grain harvests. Sri Lanka is expected to import 250,000 to 300,000 tons of rice and 750,000 tons of wheat during 1982/83. Nepal's import needs are estimated between 350,000 and 500,000 tons of food grains.

Korean Livestock Recovery Uncertain

The South Korean economy sputtered in 1982, slowing the recovery that got underway in 1981. Only moderate improvement is expected in 1983. Export growth, a key factor in the Korean economy, sagged to 5 percent in 1982, far short of the target of 14.8 percent. Real wages rose only enough to get back to 1979 levels, and growth in consumer spending was modest. However, beef consumption increased by 10 percent. Although the Government's objective is to have growth in consumer meat demand filled primarily by pork and poultry, it allowed sufficient beef imports to permit higher consumption without significant retail price increases.

Producer prices for livestock and poultry rose in 1982, while feed prices remained relatively stable. As a result, South Korean livestock producers enjoyed good returns, and feed use increased by 20 percent, exceeding the previous peak in 1979. The uncertain economic climate in 1983 and the significant gains in consumption per person in 1982 have led to fears that further livestock expansion may sharply reduce producer prices next year. However, activity in the livestock sector should support imports of feedstuffs at or above the record 1982 pace of 3.8 million tons of coarse grains, 550,000 of soybeans, and 17,000 of soybean meal.

Earlier concerns about a large drop in rice production because of dry weather were eased by rainfall at critical times and abundant sunshine and favorable temperatures. Production of 5.1 million tons or more will roughly equal that of 1981. Rice consumption is forecast at 5.7 million tons in the coming year. About one-half the deficit will probably be met by drawing down stocks.

Although the Taiwanese Government is trying to encourage farmers to shift to other crops, 1982 rice production in that country will likely reach 1981's 2.4 million tons. Rice stocks, estimated at 1.2 million tons, far exceed the official target of 500,000. Government plans were for exports of 300,000 tons during 1982, but so far only about one-third of this amount has been sold.

During a year of contracting markets for U.S. agricultural exports, sales to Taiwan increased moderately in 1982. Particularly noteworthy was the sharp increase in cotton exports.

Despite disappointing economic growth in Hong Kong, U.S. agricultural exports to that market were also up slightly in 1982. A jump in exports of cotton, wheat, and eggs more than offset declines in citrus and meat products.

Thailand Increases Rice Exports

Thailand's rice exports may exceed 3.5 million tons in 1982, up approximately 15 percent from 1981. Large stocks following the record 12.4-million-ton harvest in 1981 were reduced by sales at steadily declining prices. Because of a spotty monsoon, the 1982/83 crop was projected to drop to 11.4 million tons. However, timely post-monsoon rains have led to improving prospects. A third year of exports in the 3-million-ton range is likely in 1983.

Exports of cassava products apparently succeeded in clearing all but 300,000 tons of tapioca pellets out of the Thai market in 1982. The EC absorbed almost all of this trade, allowing a 500,000-ton special allocation in addition to the 5.5-million-ton annual quota. A slight drop in area, combined with dry weather, may reduce production of all cassava products to about 5.4 million tons in 1982/83. There should be a market for the available supplies.

Because of poor rainfall in some areas, corn production may have fallen by 10 percent from the record 1981 crop. With strong domestic feed demand, prices are considerably higher than U.S. export prices. Thus, Thailand is having difficulty competing in export markets, unless it has a pronounced transportation advantage.

Indonesia's 1982 rice production is currently estimated at 1981's record 22.3 million tons. Output of dry-season rice was down, but the wet-season harvest and carryover stocks were sufficient to reduce import requirements to about 350,000 tons, 36 percent below 1981 and less than 20 percent of 1980 imports.

Indonesian foreign exchange earnings from oil and liquefied natural gas in 1982 could drop $2 to $4 billion from a year earlier. Moreover, export revenue from agricultural and forestry products, and other primary products will be down sharply because of lower prices stemming from the worldwide economic recession.

Despite below-normal rainfall since August, the 1982/83 Philippine rice crop is estimated at a record 5.4 million tons, because over 60 percent of the production comes from irrigated areas. Following the opening of the sugar-milling season on September 1, the 1982/83 crop estimate was reduced to 2.41 million tons to adjust for a lower sugar yield caused by typhoon damage. Nevertheless, the Philippines is expected to fill its U.S. quota of 328,000 short tons of raw sugar.

Malaysia's economy was harmed by sluggish demand for several of its more important agricultural exports, including rubber and cocoa. Production and exports of palm oil continue to increase. Crude palm oil production reached 3.6 million tons in 1982, 27 percent above 1981, and will likely approximate 3.9 million in 1983. Almost all of the palm oil is processed for export.

Vietnam's 1982 rice crop is currently estimated at 7.1 million tons, up 4 percent from the relatively good 1981 harvest, but substantially below harvests achieved during the mid-1970's. Because of the good 1982 crop, Vietnam has again become basically self-sufficient in food production, although per capita consumption is still quite low. [*Carmen O. Nohre (202) 447-8860*]

Africa and the Middle East

Sahel Crop Outlook Unfavorable

As the growing season draws to an end in the Sahel, crop prospects in most areas appear unfavorable. The late start of the rains and irregular rainfall in many areas damaged crops and created poor grazing conditions. Food shortages are likely in Cape Verde, Chad, Mauritania, and some areas of Niger. Output in Upper Volta and Mali is expected to be below normal, while crops in Senegal and Gambia are near to above normal.

Plagued by poor weather, deteriorating natural resources, and limited agricultural inputs, the Sahel countries depend on aid to meet domestic food requirements, and this year's poor harvest will increase food aid needs in 1983.

Drought and Pests Plague Crops

In Cape Verde, the chronic drought continued in 1982, and a crop failure is expected. Because Cape Verde has become increasingly dependent on food aid, the Government has asked donors to restructure their food aid from emergency aid to multi-year commitments. The United States is planning to supply 15,000 tons of corn annually under P.L. 480 during 1982-84.

This will be the second consecutive year of poor harvests in Niger. Drought in the western half of the country's crop-producing region and below-normal rainfall in the south are expected to reduce output to less than last year's disappointing level and to almost as low as in 1973—the worst year of the Sahel drought. The Government projects a 1982/83 food grain deficit of 100,000 tons.

Central Chad was extremely dry early in the growing season. Thundershowers in late September were too late to offset the early drought, although grazing conditions improved. Weather was favorable in southern Chad, the major agricultural region, and yields are expected to be only slightly below normal. However, continuing political unrest is causing a decline in cultivated area, and the critical food shortages that occurred in 1982 will likely continue through 1983.

In Mauritania, the harvest is expected to be well below average this year because of bad weather and pest damage. The late start of the rains delayed planting of rainfed crops, and low precipitation during the rest of the rainy season is expected to cause an almost total loss of crops. Livestock also suffered considerably because of poor pastures. Grasshoppers are estimated to have destroyed up to 50 percent of the grain crop in the cereal-growing Gorgol region. In the Senegal River catchment basin, the river crested lower than usual, and the inundation did not last long enough to provide moisture for flood-recession crops.

Dry weather at the end of the growing season in Upper Volta will result in lower production than last year's bumper harvests. The western two-thirds of the country received only 50 percent of normal rainfall. Crop production in eastern Upper Volta should be near normal.

In Senegal, below-normal rainfall throughout the growing season in the north will reduce millet and sorghum production, but farm stocks of millet are good. Peanut production is expected to do well for the second consecutive year. Gambia expects to harvest a near-normal rice crop. Harvest of early corn had begun by September. Small localized droughts reduced yields in some areas.

Overall crop production in Mali is expected to be only slightly below normal this year. Food shortages could occur in eastern and central parts of Mali, which were hurt by drought. Rainfall was satisfactory in the south.

Horn of Africa Food Situation Mixed

Ethiopia's crop output has been disappointing in 1981 and 1982 because of dry weather in most regions. Heavy October rains arrived too late for crops that are harvested in October and November. As a result, Ethiopian officials have appealed to the international community for food assistance in an effort to avert food shortages. In recent years, Ethiopia has relied heavily on donor assistance to aid war-displaced persons and refugees, and food aid imports for 1981 were estimated by the Food and Agriculture Organization (FAO) at about 250,000 tons of cereals. The Government also purchased over 100,000 tons of cereal commercially.

Increased imports of cereals, particularly wheat, are likely in the coming months, and earlier import estimates, at 250,000 to 300,000 tons of wheat, are being revised to 350,000 to 400,000. This might present an opportunity for U.S. sales. However, the Hickenlooper Amendment prohibits the United States from supplying commodities under P.L. 480 Title I or Title III, so additional U.S. exports would have to be commercial sales or Title II emergency-related grants. In 1981, the United States commercially sold Ethiopia over 87,000 tons of grain, including 49,000 tons of wheat.

Over the last 2 years, Somalia's agriculture has improved considerably from its poor performance in the 1970's. Output expanded as a result of excellent rains and increases in producer prices of 20 to 50 percent for most crops. The 1982 cereal harvests are expected to be 7 percent above last year's, with 160,000 tons of sorghum and 128,000 of corn.

Somalia's main food imports are cereals, some 270,000 tons in 1981, including 111,000 of corn provided under P.L. 480 Titles I and II. The rest was wheat flour, wheat, and rice. While 1982 purchases are not yet known, they are expected to be below those of 1981 because P.L. 480 corn shipments are only 17,000 tons. Somalia reportedly has large carryover stocks of corn.

In Djibouti, there are an estimated 30,000 nomads displaced by drought and 30,000 refugees from the war in the Ogaden area of Ethiopia. Nomads, who move flocks and herds in search of browse, were hard hit by recent droughts. In mid-1982, the FAO estimated that Djibouti's cereal requirements totaled 45,000 tons, 13,000 of which have been allocated, committed, or shipped as food aid. The balance will be provided by commercial purchases. Djibouti has a very small amount of farmland, which is mostly cultivated as vegetable and fruit gardens; the only other dependable domestic source of food is fishing. Most food for the urban centers has to be imported.

Turkey Doubles Exports to Mideast

Turkey's total agricultural exports increased 39 percent in 1981, to a record $2.5 billion. The value may approach $3 billion in 1982. The spectacular growth markets are in the Mideast, where Turkey's agricultural exports nearly doubled in 1981, reaching $700 million. The value may approach $1 billion in 1982. Sales of tobacco and dried fruit to the United States and the EC are not expected to increase in 1982, following strong gains in 1981. Tobacco remains Turkey's leading export to the United States.

The war between Iran and Iraq, which caused port congestion problems, created favorable markets for Turkey's farm products. Total exports to Iraq jumped from $135 million in 1980 to $559 million in 1981, including $130 million of agricultural commodities. Shipments of live cattle and sheep increased markedly in 1981 and early 1982. Turkey sent 80,000 tons of apples to Iraq in 1981, as programs to improve the diet of soldiers and school children expanded. The 180,000 tons of wheat accounted for less than 15 percent of Turkey's total agricultural exports to Iraq last year. Shipments of many items not significant in the past were part of the current trade flow, including eggs, lemons, beef, canned vegetables, tomatoes, potatoes, onions, raisins, and processed food.

Turkey's agricultural exports to Iran increased over 150 percent in 1981, to about $60 million, including nearly $48 million for wheat. Lentils, dry beans, barley, wheat flour, and fruit were other major exports. Shipments of lentils to Egypt will likely rise sharply, because Egypt reduced purchases from the United States and Syria. Egypt is also a growing market for Turkey's dried fruit and nuts. Libya is a growing market for Turkish wheat, barley, fruit, and pulses, and Kuwait's purchases in 1981 were about ten times the 1979 value, with much larger deliveries of livestock products, pulses, fruit, and vegetables.

Turkey harvested a record 13.8 million tons of wheat in 1982 and expects to export 700,000 tons, much of which will go to its contiguous neighbors to the east, as well as to Jordan and Sudan. [*Michael E. Kurtzig (202) 475-3444*]

Latin America

Production Prospects Mixed

For Latin America, 1982 can be characterized as a mixed agricultural year. Current estimates indicate output will be slightly less than in 1981. A majority of countries, mostly the smaller ones, are expected to register increases, while some will show no change. The three largest countries, Argentina, Brazil, and Mexico, are the main contributors to the fall in output. Together they account for about two-thirds of the region's total.

Less favorable weather than in 1981 lowered yields in the region. Additionally, weak commodity prices and lower profit expectations, due to high interest rates, inflated input costs, and large indebtedness, discouraged some farmers from using yield-boosting inputs or from even planting at all.

The outlook for 1983 farm production is still uncertain. With normal weather, increases between 3.5 and 6.5 percent are likely. However, continuation of the current squeeze suggests that the increases will be nearer the lower end of the range.

Mexican Prospects Not Bright

Mexican agriculture experienced a very rough year in 1982. Earlier optimistic expectations of a good crop have been slashed because of bad weather and economic crises. Total farm output is now expected to decline between 5 and 10 percent from 1981. Current estimates indicate that Mexican grain and oilseed production will fall nearly 27 percent, because rainfall was 75 percent below normal during the crucial months of July, August, and September. In addition, a hurricane battered the soybean crop in October, lowering projected output by 28 percent. Livestock production will continue to grow more slowly than demand, mandating imports or higher prices for commodities in which Mexico was once self-sufficient.

The Mexican cattle industry was also hurt by the drought. Some stress slaughtering is expected because of poor pastures. In recent years, high feed costs, erratic availability of feed, and high interest rates have curtailed feedlot operations. Growth in the pork and poultry sectors, which has been significant in the past 5 years, has slowed because of the critical feed shortage.

In 1983, Mexican production of farm products could increase as much as 15 percent. However, if the current cost-price squeeze continues and poor weather prevails, it could be substantially less.

Argentine Recovery Slow

In Argentina, total farm production during 1982 was the same as in 1981; an 8-percent increase in crop output offset a similar drop in livestock. Although agriculture continues to be the healthiest sector in the economy, it suffers from high producer costs, excessive indebtedness, high interest rates, export taxes, unfavorable exchange rate policies, and lagging domestic demand. Oilseed production was up sharply in 1982, because higher sunflower prices at planting time encouraged area expansion. A late 1981 drought caused some corn area to be shifted to soybeans, so corn production was off about 11 percent from the 1981 record.

In 1983, Argentine farm output is expected to gain between 3 and 8 percent. Coarse grain output is forecast down 5 percent because some corn and sorghum area was switched to wheat, which increased 15 percent in planted area. Oilseed production will again be up, about 9 percent, spurred by substantial gains in the double-cropping of wheat and soybeans. Beef production will likely remain at its low 1982 level of 2.6 million tons, as producers struggle to rebuild herds.

Brazil's Austerity Affects Agriculture

Farm output, Brazil's strongest economic sector in 1981, was less of a mainstay in 1982, as production slipped about 2 percent. Government policies, including support prices, subsidized credit, and favorable financing for exports, stimulated increases in planted area. Even so, poor weather cut yields of soybeans, coffee, and wheat—crops of critical economic importance. Exceptional harvests of corn, sugarcane, rice, and dry beans only partly offset those reverses.

The outlook for Brazilian farm production in 1983 is for 5 to 8 percent growth. The Government's current austerity program to limit input and credit subsidies could hold these rates down.

In other parts of in South America, farm production will be up very little, if any, in 1982. Weather and economic conditions are the main factors. The outlook for 1983 is for production to increase about 3.5 percent.

Current estimates put Central American agricultural output up only about 1 percent from 1981, not enough to cover population growth. The region was hit by drought and hurricanes, which damaged crops and livestock. With little incentive and much of the infrastructure damaged by war, the outlook for 1983 is not much better. Increases of only 2 to 5 percent are expected, even if the weather is normal.

Agricultural production in the Caribbean should be up slightly in 1982, with prospects for a 2- to 3-percent increase in 1983. The region still faces many of the economic conditions that discouraged farm output in the past.

U.S. Exports Up

Because of poor harvests, U.S. agricultural exports to Latin America are expected to increase 10 percent to $5.4 billion in fiscal 1983, up from 1982's depressed value of $4.9 billion. Shipments of feed grains, rice, soybeans, tobacco, and cotton will likely be higher, partly because of low export prices. However, the low prices will result in a reduced export value for most products, except feed grains and soybeans.

Wheat shipments should remain near last year's 8 million tons valued at $1.3 billion. Feed grain shipments could jump as much as 8 million tons to reach 10.7 million valued at $1.3 billion. A sharp drop in oilcake and meal shipments will be offset by an approximately 700,000-ton increase in soybean exports. [*John E. Link (202) 447-8133*]

WORLD TRADE AND FOOD POLICY

Commodity Agreements

U.S.-USSR Grain Offer Raised

On October 15, the United States offered to sell to the Soviets during 1982/83, without further consultations, 15 million tons of wheat and corn in addition to the 6 to 8 million tons stated in the U.S.-USSR grain agreement. Beyond 8 million tons, government-to-government consultations are usually required. In addition, the United States extended the agreement's delivery assurances under Article II to the entire offer of 23 million tons for any grain, soybeans, and other agricultural exports contracted during the month of November and shipped within 180 days. Consultations between the two countries took place in Vienna, Austria, October 28. The current grain situation in each country and the prospects for further imports in the near future were discussed.

New Coffee Agreement Reached

The new International Coffee Agreement, replacing the 1976 agreement, will run from October 1, 1983, until September 30, 1989, with a biennial review of its economic provisions covering prices and export quotas. Voting provisions remain unchanged from the current agreement. The price range will be $1.20 to $1.40 a pound. Under the new agreement, the global export quota for 1982/83 is 56 million bags (60 kilograms each), the same as before.

The new agreement does not include the selective quota system proposed by the United States and West Germany, which would adjust quotas for different types of coffees (such as Milds or Robustas) by separate trigger prices rather than by a common trigger price that alters export quotas, which have a fixed distribution of coffee types. The proposal was aimed at narrowing the price differential between premium-priced Columbian and other Mild coffees and lower quality and lower priced Robusta coffees by increasing the former's proportion within the export quotas. Brazil maintained that the proposals would lower prices overall rather than narrowing only the difference between Mild and Robusta coffees. The International Coffee Organization (ICO) Council agreed to collect data on the relation between quotas and prices of different varieties to decide whether to adopt such a system during the 1984 ICO meeting. The biennial review of the quota distribution will permit supply adjustments until adoption of a different system.

Argentine-Cuban Trade Agreement Signed

On September 16, Argentina and Cuba signed a trade agreement to supply Cuba with $50 million of Argentine agricultural and industrial goods from 1982-85. No credit is involved, and prices will be based on those in the world market. Agricultural goods will make up about $40 million worth, with Cuba receiving an annual minimum of: 100,000 tons of corn; 105,000 of soymeal; 12,000 of dry beans; 8,000 of tallow; and 5,000 of nonfat dry milk. The Argentine industrial goods were not specified.

USSR-South African Barter Arranged

South Africa has arranged a barter deal with the Soviet Union to exchange corn for urea fertilizer in proportions of 1 ton of corn for 1.04 tons of urea. South Africa has confirmed that the first consignment of 208,000 tons of urea had already been exchanged for 200,000 tons of corn.

Trade Actions

Blended Credit Export Program Announced

On October 20, the United States announced a 3-year, $1.5 billion blended credit export program effective immediately. The program is designed to expand U.S. agricultural exports and to improve farm income. In the initial year (1982/83), $100 million of GSM-5 interest-free direct government credit will be available for use with $400 million of GSM-102 commercial credit guarantees, both administered by the CCC. The GSM-5 program permits the CCC to extend direct interest-free export credits to foreign buyers for the purchase of U.S. farm goods. The GSM-102 program provides export assistance by guaranteeing payment to commercial banks of 98 percent of the principal and up to 8 percent of the interest on export credit loans made at commercial rates by private lenders. The two programs will be blended to achieve a lower interest rate.

Criteria for use of the $500 million program will be: (1) the extent of increased import demand above currently forecast levels ("additionality"), (2) the increased support of longer term development of U.S. agricultural markets, (3) the likelihood of further cash or GSM-102 sales, and (4) the reduction of U.S. domestic commodity program costs. The scope of the funding program will cover all countries and commodities but will be offered primarily to developing nations, where additional financing is more likely to generate increased demand for U.S. farm products. Countries not covered under most-favored-nation status, such as some centrally planned economies, are ineligible to receive U.S. Government credits.

U.S. Meat Import Quota Not Triggered

The fourth-quarter 1982 estimate for U.S. meat imports was 1.295 billion pounds, 5 million pounds below the U.S. meat import law's 1982 trigger level of 1.3 billion pounds. Because of voluntary restraint agreements reached with Australia and New Zealand, and an exchange of letters with Canada—America's three main meat suppliers—the President will not need to restrict U.S. meat imports to a minimum of 1.25 billion pounds. [*Edward C. Wilson (202) 447-8470*]

☆U.S. GOVERNMENT PRINTING OFFICE: 1982-380-930:ERS-1259

UNITED STATES DEPARTMENT OF AGRICULTURE
WASHINGTON, D.C. 20250

OFFICIAL BUSINESS
PENALTY FOR PRIVATE USE, $300

To stop mailing ☐ or to change your address ☐ send this sheet with label intact, showing new address, to EMS Information, Rm. 440-GHI, USDA, Washington, D.C. 20250.

POSTAGE AND FEES PAID
U.S. DEPARTMENT OF
AGRICULTURE
AGR 101

FIRST CLASS

U.S. MAIL